

COMMODIFYING NATURE: FINANCIALISATION AND HEDGE FUNDS

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On planet earth humans are sustained entirely by their dependence on a fragile ecosystem. In this relationship, problems arise when some humans exploit the environment far beyond its holding capacity. Similarly, we cannot separate this exploitative relationship between humans and the environment from the inextricable power relationship between those who hold power and ordinary people – common humanity. The same principle holds true whether we interrogate the relationship between humans and the ecosystem or whether we critically examine the power structures in corporations, or multinational organisations. It seems that we live in a world where everything is exploited for its ‘gain’ value. All of nature, inclusive of humans, is treated as a commodity or a factor of production.

The resultant scenario is a world with increasing disparities and inequalities – the ‘haves’ and the ‘have-nots’. In this inexorably unequal situation a blur begins to arise – we simply cannot distinguish between the exploitative relationship that prevails between humans and humans, and humans and the environment. Everything is commodified and in the process we almost give credence to the prophecy of the four horsemen of the apocalypse. Environmental issues, thus become inseparable from social, political, and economic issues.

The issues of life and sustaining life on planet earth, are complex, and become muddled, especially when the prevailing political economy works in the interest of a few who motivated by greed.

Indeed, exploitation is not a new phenomenon and has seemingly been around since the arrival of humans on earth. Through the ages, though, fuelled by avarice and greed, the process has exacerbated and found new meaning, expression and scale under the rubric of capitalism. Gross exploitation and inequalities are inherent to the dominant capitalist economic model as exemplified by the fictitious character *Gordon Gecco* in a 1980s movie called “Wall Street”. In the film when questioned on greed in society, he uttered his now famous line “Greed is good” (<http://www.pophistorydig.com/?tag=greed-is-good-speech>). In the modern era of globalisation, it would seem that through the application of free market policies and privatisation, capital has gained ever greater control over natural goods, such as land,

oil, energy, water, minerals and food, as well as expanding to new areas, particularly services that were formerly publicly managed.

Since the recent financial crisis and the food crisis of 2008, exploitation and the growing appropriation of nature has been facilitated by the intervention of public and private national and international agencies, which have established legal frameworks for the privatisation required in the new image of capitalism. The resultant umbrella system has given birth to a new financial infrastructure – a “financial market”. In this respect, a series of financial instruments such as *derivatives markets*, *investment banks*, *hedge funds*, *indexed funds* and *exchange commodities* are negotiated and traded.

With specific reference to food, Umberto Mazzei writing in the NWO Observer (16/02/ 2011) noted that post the 2008 food price hikes, when people were rioting and dying because of food insecurity, some banks and investors began to make huge profits due largely to investments in hedge funds. Food which was sold on commodity markets turned into ‘derivatives’. Food speculation not only became extremely attractive, but in turn, influenced further increases in food prices. Raj Patel & Philip McMichael in their 2009 paper titled “the Political Economy of Food Riots”, also point out the concomitant negative effects of food speculation, especially after 2008. Likewise, the UN rapporteur on food, Olivier De Schutter agreed: “Prices of wheat, maize and rice have increased very significantly but this is not linked to low stock levels or harvests, but rather to traders reacting to information and speculating on the markets.”

Currently, financialisation is penetrating all commodity markets and expanding from areas such as social reproduction into natural resources speculation. Just as the privatisation of public assets served as a building block for the financialisation of the economy, so does the speculation of natural resources form the new basis for the commodification of nature. Within this perspective, the cash crop economy of the south provides opportunity for speculators in the north to make *unnatural profits*. In this sense, it is merely a manifestation of the transformative powers of capitalism – it simply creates gross inequalities.

In the light of the above, a major inequality arises between the core of the north and the periphery of the south. In the core there is manifestation of the growing accumulation and concentration of capital. The core, though, periodically experiences its own ‘hiccups’ when greed takes hold and intrinsic values such as ethical behaviour is “thrown out of the window”. Capitalism, moreover, acting like chameleon, changes its cloak to take on a new hue. The temporary ‘hiccup’ is soon resolved through the expansion of the ‘investment frontier’.

In recent years, the financial market of the *virtual economy* has acquired enormous economic weight over the market for trade in real products. Speculation in the

currency exchange market, stock market, hedge funds, and government securities has reached exceptional levels.

Financial speculation in the realm of nature, therefore, becomes synonymous to financial investments which are tied to all goods and components of nature. These natural elements are fundamentally important for the survival of all those who live on planet earth. Any notion of natural resources for future generation and the survival of humankind are rejected in the name of free market forces.

The effects of speculation, however, do not end with the gross misappropriation of natural resources. For example, as we begin to grapple with the after effects of the mass destruction of the atmosphere through carbon emissions, (largely due to the excesses of the process of industrialisation in the north), in the south, we are presented with ostentatious 'solutions' which bear the brand of capitalism at its most exploitative zenith. We are sneakily offered resolutions which are shrouded as rewards - *carbon credits, carbon trading, carbon caps and carbon markets*.

In effect, the south becomes a reluctant, but nevertheless culpable, partner in a crime effectively destroying and at the same time commodifying the atmosphere. The south becomes guilty, not by association, but rather by abetting. It also profits from death. The south becomes, at worst, a collaborator and a perpetrator, and at best, a bystander, complicit in unethical and irresponsible conduct for short term profit. The south implicitly hedges its bets in securing an economic 'windfall' for the present. In this despicable practice both the north and the south prostitute the future of all humankind.

Pollution is metamorphosed into a profitable venture. Humankind ought to be embarrassed! Capitalism and its masters at the core, once again, subjugate or rather destroy the environment and dupes the periphery into believing that it is in its own interest.

The question that arises is for how much longer can this *unnatural behaviour* persist? The people of the south need to be reminded about the adage of someone who continually falls prey to a scam – soon they will be regarded as fools and will be treated with the contempt they rightly deserve. The south really needs to ask itself what it wants to be when it 'grows up'. We simply cannot be bonded to the north in a slavery of dependence. Planet earth belongs to us, as well.

Notwithstanding the gross inequalities that exist between economies of the north and south, as humans we need to seriously consider how we will shape and navigate the future, especially in dealing with the fragile ecosystem that is mother earth. In concert, we need to also pose parallel questions as to how we will deal with issues of poverty, food insecurity, gross exploitation, oppression, conflicts and global political hegemony. In tendering a possible clue to solve this global dilemma and human

predicament, *sustainability* and *sustainable business practices* become the paternoster.

Finally, given that business has played a major role in the in the environmental catastrophe through the commodification of nature, all business and management academics and students are urged to explore new ways of engaging with the fragility of nature. We need to make a quantum paradigm shift – one that begins to explore a new political economy devoid of the negative and exploitative characteristics of capitalism. As an exemplar, David Korten’s relatively new book “Agenda for a New Economy” provides a thought-provoking beginning. Besides providing a comprehensive reappraisal of the great environmental challenge of our time, he proposes a fundamentally new economic model and a much-needed road map for those ready to get started – a possible economic blueprint for the 21st century and beyond. It is time to put on your thinking caps and make a fundamental difference for the future of humankind and the planet.

We welcome any comments, suggestions or critique.

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