

Researchers establish link between unequal income distribution and the economic value of nature

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Researchers at universities in Freiburg, Kiel and Berlin have discovered that the economic value of nature for a society is determined by, among other things, income inequality within the society. "Social justice and nature conservation are not necessarily conflicting concepts, unlike what is frequently maintained by some. On the contrary, measures to enhance social equity in a societal and macroeconomic sense may strengthen nature conservation," stresses Stefan Baumgärtner, Professor of Environmental Economics and Resource Management at the University of Freiburg and director of the study. The researchers have published their findings in the *Journal of Environmental Economics and Management*, the leading specialist publication for environmental economics. The results were based on a comprehensive, empirical data set of environmental valuations in 22 countries around the globe.

Natural ecosystems are useful to people for many reasons. They provide water, food, building materials, energy and medicine; they regulate the climate and spread of disease; and they have important cultural significance. All these reasons give nature an [economic value](#) for humans. "Even when this value is not apparent, because most and key services of nature are not traded on markets, nature's worth should be taken into consideration in dealing with nature, for example when planning new traffic arteries and residential or industrial areas," says Baumgärtner. It has long been known that the higher the average income is within a [society](#), the greater the economic value nature has for that

society. That is because in valuing nature's benefits in economic terms, the benefits of what nature provides are compared with the benefits provided by consumption goods. Those who have higher incomes can consume more and will therefore normally ascribe a higher value to nature.

What has been unclear up to now is how inequality of income distribution influences the economic value of nature. This question has now been answered. If the services provided by nature for human well-being can be substituted for well with human-produced goods and services, then the economic value of nature for a society is higher, the more equally incomes are distributed within it. The reverse is also true. The more unequally income is distributed in a society, the less the economic value that society will place on nature. The [empirical data](#) indicate that the condition of good substitutability for many services provided by nature at the current level of consumption is met.

"This result is relevant, because there is a clear relationship between social equity and [nature conservation](#)," says Baumgärtner. According to this result, he says, income inequality will lead nature to be undervalued. By reducing [income inequality](#), the valuation of nature in economic terms will consequentially rise, resulting in greater value being placed on nature in decisions about measures to promote economic development.

More information: Stefan Baumgärtner et al, Income inequality and willingness to pay for environmental public goods, *Journal of Environmental Economics and Management* (2017). [DOI: 10.1016/j.jeem.2017.04.005](https://doi.org/10.1016/j.jeem.2017.04.005)

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