# Can Financialization Civilize Nature? The Case of Endangered Species

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*Contemporary Accounting Research, 2022*

# Can financialization save nature?

The jury remains out on whether investment products can successfully be used to save endangered species, nonetheless, the accounting industry needs to lean in with conservationists who are testing the waters in their use of financial principles and products to raise money for conservation efforts.

That’s one conclusion from a new study by researchers Diane-Laure Arjaliés, an associate professor in managerial accounting and control, general management, and sustainability, at the Ivey Business school at Western University, and Delphine Gibassier, of Université Nantes.

Arjaliés sits at the crossroads of accounting and conservation, where her studies examine how capital market techniques and financial accounting, referred to broadly as “financialization,” is increasingly being considered or adopted by cash-starved conservationists in a bid to garner credibility and capture public attention when raising money for their causes.

Calling the loss of biodiversity “dramatic,” Arjaliés’ study notes that in the past 50 years, “more than 68% of the mammals, birds, amphibians, reptiles, and fish on Earth have disappeared, putting the planet’s survival and its inhabitants—including human beings—at risk.”

Some proponents believe that by turning nature into financial assets and assigning a monetary value, that will create incentives for humans to protect habitat and species by investing in various causes through financial instruments like conservation bonds or social impact bonds, which reward conservation groups for their efforts based on success in attaining their objectives.

There are many examples of how financialization is being used to guide social causes in instances involving nature, covering everything from species to carbon and biodiversity offset markets.

The researchers sought to study this further with a view to the role of accounting in the financialization process.

**The Study**

They used a two-stage data collection process. The first stage examined a case study of how one organization set out to create an “index” designed to assess the impact of conservation efforts on the survival of various endangered species.

The conservationists hoped to use that index to calculate the financial return of a conservation impact bond. However, they did not achieve their goal.

In the second stage, researchers spoke to a diverse range of conservationists and conservation finance specialists about such efforts.

**The Results**

The researchers made a number of interesting findings and dispelled some myths about nature financialization projects.

First, they made a distinction between financialization projects and processes and found that “practices can be financialized even if the financialization process is not successful.” They found that “a financialization project can be sufficient to introduce a financial rationale and transform practices accordingly.”

Second, the authors put forward a model that theorizes the process of financialization when it comes to nature projects and explains the difficulties involved. They found four key elements:

Pacifying: this involves transforming living entities into passive, compliant, and nonresistant entities or goods that can be “desired and possessed, which creates the stability necessary for financialization.”

Commodifying:this “turns something that is not by nature commercial into something that will be valued chiefly for its monetary worth” and incorporates it into theoverall system of capitalist social relations. It’s done by attaching property rights to the pacified goods or the right to privately appropriate the value assigned to the pacified goods.

Calculating: this refers to creating calculative devices, usually in the form of financial models or accounting metrics, and practices that “support the creation of a market by offering collectively agreed valuation processes applicable to nature.”

Marketizing: this involvestrading the invested nature/conservation units on the market to generate cash flows or financial returns.

The authors argue that “most financialization projects fail because protecting nature entails nurturing the uniqueness of the relationships between humans and ecosystems ... while financialization instead involves abstracting nature to transform it into a ‘passive object’ to be commodified, calculated, and marketized.”

“Conceptually, we may think of material relationships built between nature and investors. However, the abstraction needed for financializing nature is virtually impossible. There is a fundamental contradiction between what conservation entails and what financialization forces conservationists to do.”

**Implications:**

The study calls into question two traditional views around financializations.

First, researchers found it was possible to complete a financialization without resorting to financial numbers when assessing calculability. The findings demonstrate that endangered species were financialized, primarily through what the researchers called “societal visuals” and conservation science support, including charts that categorized current threat and projected threats to species.

Second,many of these attempts at nature financializations are being led by the conservationists on their own initiative and not driven by financial actors, as commonly believed. “The conservationists recognized that the emergence of financialization in conservation stemmed from a collective failure of science, politics, and society to preserve biodiversity.”

The study shows the potential contribution that accounting can make to conservation and solving significant challenges such as climate change.

The study notes that “a promising avenue for future research would be to study how accounting can help produce a sense of legitimacy and normalcy in such neoliberal initiatives to compensate for the negative consequences of neoliberalism.”

The authors write that “most scientists agree that the biodiversity crisis may be one of the most disruptive events in Earth’s history. Since humans seem to choose finance as the default institution for governing societies, scholars who study accounting and financial practices probably have even more responsibility than others to consider the consequences of this transition. Beyond the financialization of conservation, this study raises questions about how social and natural scientists, citizens, and financiers, among others, can work together to tackle the challenges the planet and its inhabitants are facing. We hope our interdisciplinary account will encourage further researchers, particularly accountants, to engage in such endeavors.”

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