

## How Much is Your Environment Worth?

Can you think of a dollar value for all the natural resources in your country?

Would this number even matter when it comes to considering your country's efforts to develop and progress?

According to a new World Bank publication, the value of environment does matter and should be calculated as part of the overall worth of a country.

In the book, *Where Is the Wealth of Nations*, the Bank used a new approach to measure a nation's wealth by going beyond traditional economic indicators such as Gross Domestic Product (GDP).

The book says the current indicators such as GDP only give a partial picture of where a country stands and don't take into account damage to the environment or whether resources are being run down.

So the book gives new estimates of nations' wealth by putting a value on a country's natural resources and other things which it calls the "intangible capital," the value of human skills, capabilities and knowledge.

*Where Is the Wealth of Nations* says that by including the environment and the "intangible capital" gives a far more comprehensive picture of how wealthy or poor nations may be. It also helps to measure whether a country's [development path is sustainable](#).

Put simply, if natural resources are run down, then the country's overall wealth also runs down.

Kirk Hamilton, a World Bank environmental economist and the author of the book, compares it to keeping a house. "If a household is running down its bank account from month to month, or having to sell assets such as vehicles or livestock in order to keep food on the table, then we would conclude that this household is not

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## THINK ABOUT IT

**Natural resources are special economic goods because they are not produced.** They are truly a gift of nature.

**Exhaustible resources, such as minerals and energy, once discovered, can only be depleted.** Consuming profits from these resources is literally consuming capital. It's prudent to invest these profits into other forms of capital. There are no sustainable diamond mines, but there are sustainable diamond-mining countries where capital in one form—diamonds—is transformed into other forms such as buildings, machines, or human capital. Since its diamond mines were discovered in 1967, Botswana's growth has been strong and sustained. The country has successfully used diamond resources to finance the schooling, health care, and infrastructure. Today, Botswana is one of African countries with the highest standard of living and the

sustainable," he explains. "The same applies to nations as a whole—if their saving rate is negative then this is a signal that national wealth is being run down and the development path is not sustainable."

The book warns the world's poorest countries, especially in Africa, are depleting their natural resources very fast.

Its new measure of wealth shows many developing countries are overusing their resources.

Decision makers in developing countries have to make difficult choices every day about whether to exploit natural resources and how development programs and policies will impact the environment. But soundly managing ecosystems is necessary to ensure a country grows responsibly and generates more wealth.

Taking care of the environment and natural resources is of global importance and is one of the [Millennium Development Goals](#), the 8 international goals for improving health, education and living standards by the year 2015.

[GNI per capita](#) is \$3,530.

**Living resources, such as forests or fish stocks, are potentially sustainable.** If properly managed they can yield sustainable profits, which are important for a country's development. For example, Mauritanian fishing grew in the early 1980s and was expected to be a major source of growth in the next two decades, generating jobs, foreign exchange earnings, and budget revenues. But ten years later, over-fishing and other problems led to a crisis, which threatened to undermine the country's growth prospects. In the 1990s the government introduced conservation measures and reforms in the fishing industry. It also put in place broader economic reforms. By 2002, the fishing catch had increased again and helped improve Mauritania's economy.

<sup>^</sup> [top](#)