

Sustainable Economic Development, a Necessity of the 21st Century

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Abstract

Sustainability is mostly perceived as the combination of environmental, social and economic performance; while still remain difficulties in defining sustainable economic development. Today, the human needs of many people are not met, and by the same time the ability of future generations to meet their needs is being compromised. It is because this that sustainable development has raised as a concept, affected by the need to offer people a kind of development which can meet the needs of the present without compromising the capacity of future generations to meet theirs. Economic growth may result in an improvement in the standard of living related to a small proportion of the population whilst the majority of the population remains poor. It is how the economic growth is distributed amongst the population that determines the level of development. The concept of sustainable development has become a widely recognized goal for human society of the 21st century. In this research it is analyzed the why and how has emerged the concept of sustainable development; how should it really be conceptualized and what should be done in order to achieve it.

Keywords: Economics, Sustainable Development, Social Issues, Human Welfare, Distribution

1. Introduction

There was a time when by the "new economics" was meant the Keynesian economics, which was notable as a response to the depression of the 1930s. The new economics that is struggling to grow today is something very different. It constitutes our response to a new set of problems which was only dimly perceived earlier, but has steadily grown in urgency over the last quarter of this century. It attempts to put forward new ideas about how to organize the foundations of a sustainable economy at this juncture in history when there are clear signs that the global economy cannot move much further along the accustomed paths of industrial growth without ending up in total disaster. For the true welfare economist the horizons of enquiry are shifting again in a new direction.... The study of wealth and welfare stands at a new crossroads. (Datta, A., 1997)

The concept of sustainable development has become a widely recognized goal for human society of the 21st century. The idea of sustainable development came into light in 1987 with the publication of *Our Common Future*, which firmly established sustainable development as a critical component of international development (Sneddon et al., 2006). As the anomalies were increasing inequalities within and among the nations, increasing poverty, especially in developing countries; depletion of the ozone layer; global warming; depletion of natural resources, some species of animals and plants, water and air pollution, etc., sustainable development came as an effort to change the way of thinking towards the planet. Behind this lies the reason why nowadays the concept of development is preferred instead of growth. Growth is believed to reflect only a quantitative aspect of countries without taking into account some other qualitative items such as education, health and equality. Daly (1990, p.1) argues that "growth is quantitative increase in physical scale while development is qualitative improvement or unfolding of potentialities".

In this research it is analyzed the why and how has emerged the concept of sustainable development; how should it really be conceptualized and what should be done in order to achieve it. After the introduction part, chapter two deals with a comparison between growth and sustainable development concepts. In chapter three a discussion about income and wealth distribution among people and regions takes place. Chapter four is related to the evolution of the sustainable development concept. Chapter five explains the system of sustainable development while in chapter six take part the conclusions of the research.

2. Economic Growth Versus Sustainable Development

Beginning from the XXI century, the increase of GDP is not anymore considered a main macroeconomic indicator and economic growth is not the main goal of the economy. Since World War II (Figure 1), the focus on economic development policy has changed through different paradigms up to the concept of sustainable development. From the Keynesian thought in the period of post-war through mid 1970s, in which economic policy was built on strong governmental interventions, to the Monetarist thought in 1980s where initiatives to reduce social disparities by incorporating disadvantaged groups into the mainstream economy took place. In the late 1980s to 1990s the focus on economic development policy shifted to a rationalist thought and initiatives to improve environmental and overall quality of life by attracting highly skilled workers and firms began.

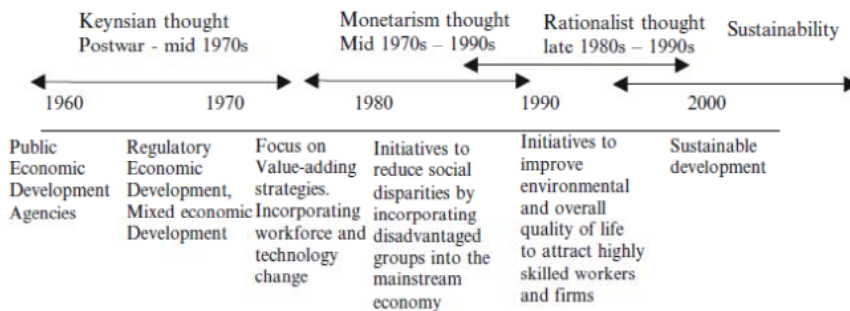


Figure 1. Focuses of Economic Development Policy through Years

Source: Stimson at al. (2006, p.12)

The basic concepts of the UN specify sustainable development to be considered as the main goal of the economy from the modern point of view. Economic growth measured by the increase of GDP, shows the increase of economic activities and is in correlation with the welfare. A rapid economic growth hardly ever is sustainable. There are countries, mainly developing countries, where there exists high discrepancy between the level of economic activities and the welfare of people – high growth with low development. Development is a broader process than economic growth, as well as welfare cannot be measured only in monetary terms. Economic growth is an external notion, whereas development is a broader internal one by including the raise in standards of living and poverty reduction. Economic growth may result in an improvement in the standard of living related to a small proportion of the population whilst the majority of the population remains poor. It is how the economic growth is distributed amongst the population that determines the level of development. Economic growth is measured by the increase of GDP, whereas economic development is a more complex process which needs more than one indicator.

The analysis of economic process in many countries shows that the rapid economic growth has caused serious problems from the point of view of sustainable development such as social and regional inequality dramatic loss of infrastructure and rural environment, lack of national capital etc. Sustainable development is an instant increase of welfare for all inhabitants, not compromising the welfare in the nearest and further future. Economic growth is a necessary, but not sufficient condition for the development.

3. Income and Wealth Distribution

Income distribution is one of the main economical and social problems societies face today. The facts show that a small proportion of the population earn a high percentage of the income and it is not evenly spread as Fig. 1, part (a) shows world income distribution by percentile. The uneven income distribution is expended also between regions, as Fig. 1, part (b) shows, a large majority of people in the top 20% of the global income distribution live in the reach countries while most of those in the bottom 60% live in Sub-Saharan Africa and Asia.

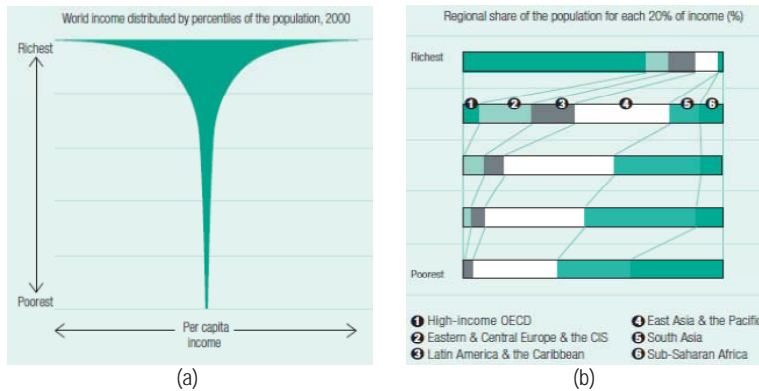


Figure 2. Income Distribution

Source: United Nations Development Program, *Human Development Report (2005, p.37)*

The issue of distribution adopts an “impersonal approach”, by separating workers’ share through a market-determined wage. The residual goes as a matter of principle to the owners of the capital, as profit by including also interest. If the market-determined wages could be shown to be “just” on the contribution basis, the division would obviously be just. However, no such demonstration has so far been convincing and conclusive.

Economics is defined as the science of allocation of scarce resources to meet the unlimited needs and desires of the individual members of a given society. Ekins (1997, p.96) explains the need about new directions for economic policy if sustainable development is to be achieved.

“They will be taken in turn under the following heading:

- (1) Differentiation between North and South
- (2) Justice in the global economy, and participatory development”

4. The Evolution of Sustainable Development Concept

The concept of sustainable development appears to have emerged by one of its earliest efforts in the global arena with the Stockholm Conference held in 1972. Many publications followed the conference with the central focus on man’s over-exploitation of the environment and the links between environment and development. Intergovernmental organizations, non-governmental organizations, nations, international organizations, the private sector and civil society were the actors taking part in these efforts.

The first real attempt from the World Conservation Strategy (IUCN/WWF/UNEP, 1980) to define sustainable development is as follows:

“For development to be sustainable, it must take account of social and ecological factors, as well as economic ones; of the living and non-living resource base; and of the long-term as well as the short-term advantages and disadvantages of alternative action.”

Barbier (1987) differentiates two ways of debate at the time about economic development:

- focusing on basic needs with emphasis on helping the poor;
- stressing that real development was impossible without consideration of the environment and without taking into account local social and cultural values and enabling stakeholder participation.

But the most commonly cited definition of sustainable development is that produced in 1987 by the World Commission on Environment and Development (WCED, 1987, p.43) that stresses the economic aspects and defines sustainable development as:

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:

- the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and
- the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.

Thus the goals of economic and social development must be defined in terms of sustainability in all countries - developed or developing, market-orientated or centrally planned. Interpretations will vary, but must share certain general features and must flow from a consensus on the basic concept of sustainable development and on a broad strategic framework for achieving it"

This formulation seems imprecise and vague since it does not clarify what is meant with the term 'needs'. Dalal-Clyton and Bass (2000, p.8) explain the meanings of 'needs' according to them:

- "meeting the needs of the present" means: satisfying the economic needs; social, cultural and health needs; and political needs;
- meeting such needs "without compromising the ability of future generations to meet their own needs" means: minimizing use or waste of non-renewable resources; sustainable use of renewable resources; keeping within the absorptive capacity of local and global sinks for wastes.

Although the World Commission on Environment and Development (WCED) was focused on the socio-cultural and economic impacts of development, the main concern was the implication of global development on the environment. At the Earth Summit, the widening gap of access to the economical opportunities and the disparity among those countries with fewer resources was formally recognized (Sneddon et al., 2006).

Only by the year 2002, World Summit on Sustainable Development in Johannesburg expanded the standard definition of sustainable development by including more importance on the three dimensions: economic, social, and environmental. The Johannesburg Declaration (2002) formally acknowledged the three dimensions of sustainable development as being interdependent in that they can be both mutually reinforcing or in competition.

Despite the many efforts to achieve and maintain sustainable development such as treaties and establishment of rules, laws and regulations the fulfillment of the aim is yet to happen. There are many reasons behind this like: actors taking part in these efforts are quite diverse, such as intergovernmental organizations, non-governmental organizations, nations, international organizations, the private sector and civil society.

Dalal-Clyton and Bass (2000, p.9) groups the roots of the decline such as:

"...market failures, where economic transactions fail to take account of social or environmental costs, and policy failures, where governments inadvertently encourage environmental degradation or social problem. The issue is thus not on whether governments should intervene to steer development toward sustainability, but how."

Mitlin (1992) argues that, in general, definitions involve two components:

- the meaning of development (i.e. what are the main goals of development: economic growth, basic needs, rights, etc.);
- the conditions necessary for sustainability.

5. The System of Sustainable Development

"It is now widely agreed (at least amongst those promoting and studying the concept) that there are three pillars to sustainable development:

- *Economy: The creation of wealth and livelihoods;*
- *Society: The elimination of poverty and improvement of quality of life;*
- *Environment: The enhancement of natural resources for future generations."* (Dalal-Clyton and Bass, 2000, p.9)

There exists a relationship between these three pillars of sustainable development which is shown by the intersection areas (Figure 1). In the past societies have had economic, social or environmental objectives, but each of them has been dealt separate from each other as unrelated parts. The economic growth considered needs of mankind alone by ignoring the interdependent social and ecosystems. As the sustainable concept was developed, these objectives are being integrated when possible by making negotiations of trade-offs between objectives in cases when the full integration is not possible. Sustainable development of human society has environmental, material, ecological, social, economic, legal, cultural, political and psychological dimensions that require attention: some forms of sustainable

development can be expected to be much more acceptable to humans and, therefore, much further away from eventual collapse than others (Bossel, 1999, p.2).

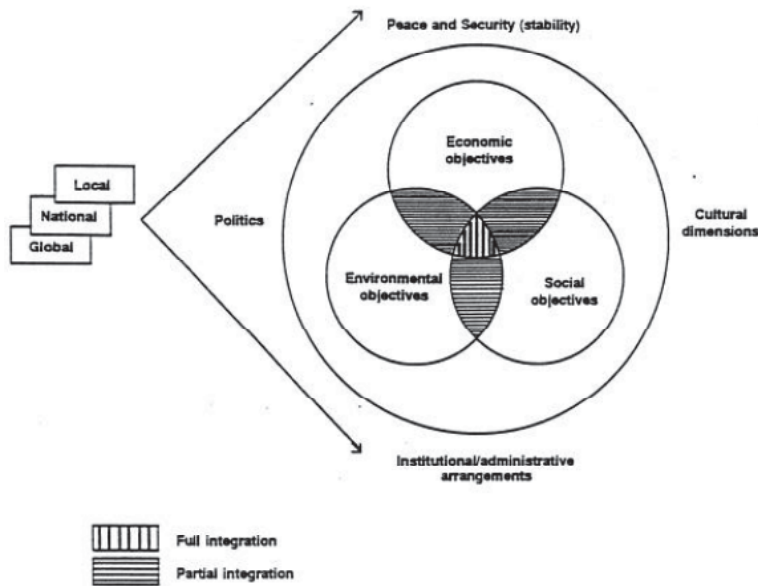


Figure 3. Sustainable Development System

Source: Dalal-Clayton et al. (1994)

6. Conclusions

Sustainable development concept was firstly thought to be a solution to ecological crisis caused by intense industrial exploitation of resources and deterioration of the environment and the primarily focus was to preserve environmental quality. Today the concept has expanded by including quality of life in its complexity, economically and socially.

The analysis of economic process in many countries has shown that the rapid economic growth caused serious problems from the point of view of sustainable development such as social, economical and environmental (regional inequality, dramatic loss of infrastructure and rural environment, lack of national capital etc.).

Economics is defined as the science of allocation of scarce resources to meet the unlimited needs and desires of the individual members of a given society so there exist the need about new directions for economic policy if sustainable development is to be achieved such as : (i) differentiation between North and South and (ii) justice in the global economy, and participatory development".

Sustainable development is an instant increase of welfare for all inhabitants, not compromising the welfare of others in the nearest and further future.

So, in order to satisfy the concept of sustainable development, it should be studied the best possible use of all available economic resources for the production of maximum possible output of goods and services that are needed for the community now and in the future and the just distribution of this output.

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