What Sustainability Should Mean

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The economics of sustainability has become narrowly defined as the need to balance growth with environmental health. But this author argues that sustainability truly involves much more than this. How can people who have not yet benefited from that growth work to reverse the environmental impact of economic growth? The author argues that we need a broader understanding of well-being.

Sustainability is not simply a matter of minimizing environmental damage. It is increasingly understood to consist of three interlocking goals: environmental, economic, and social (e.g., Harris et al. 2001). Achieving sustainability requires that we meet all three goals, as failures in any one realm are perceived to threaten the others. This is clearly stated by the Organization for Economic Cooperation and Development (OECD) Project on Sustainable Development. Focused largely on global warming and other environmental challenges, the OECD report on *Sustainable Development: Critical Issues* notes that

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> disparities in economic conditions and unmet social needs in many parts of the world may make it more difficult to establish strong coalitions of countries who can respond to these [environmental] challenges. Countries characterized by pressing social problems are likely to pay less attention to environmental problems and to be less willing to accept the structural adjustment associated with shifts towards more environmentally sound patterns of production and consumption. (2001, 27)

As framed by the OECD and others, the social challenge to sustainability efforts is the difficulty of reducing and even reversing the environmental impact of economic growth when a sizable proportion of the world's population has yet to benefit from economic growth, and the legitimacy of their aspirations to do so cannot be denied.

The economics of sustainability must find a way to raise the standards of living of a large number of people while reducing the negative environmental consequences of economic activity. Economists interested in sustainability need to focus on improving levels of human well-being, in particular by integrating the thinking of development economists who have reconceived the goal of economic development as greater human development rather than higher gross domestic product (GDP) per capita, of feminist economists who are expanding our understandings of economic activity to include the nonmarket arenas of caring labor and self-provisioning by the household and community, and of scholars analyzing the economics of public-sector contributions to quality of life.

Sustainability and the Economics of Sustainability

Over the past twenty years, social scientists have been working to develop analytical clarity for the concept of sustainability and have made some progress. The first, overriding point of agreement is that concepts of sustainability must prioritize the future, as captured in the often cited formulation of the 1987 (Brundtlandt) World Commission on Environment and Development (WCED): "Sustainable development is development which meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1987). Economists David Pearce and Edward Barbier define economic sustainability as "ensuring that future generations have at least the same potential economic opportunities to achieve welfare as the current generation" (2000, 21). They explicitly narrow the WCED Brundtlandt definition to focus on economic activities, and raise the expectation that future generations will have, in material terms, at least what we have today.

Important scholars in the arena of the economics of sustainability, Pearce and Barbier well represent the conventional view of the field. In their widely read *Blueprint for a Sustainable Economy* (2000), Pearce and Barbier share with other economists interested in sustainability an almost exclusive focus on the private sector and market outcomes. The big questions for such economists are whether or not natural resources should be understood as a form of capital and, if so, if they can be considered fungible with other forms of capital; how best to internalize economic impacts into market transactions; and the potential of correctly specified property rights for reducing environmental damage. Several substantive chapters of *Blueprint for a Sustainable Economy* are devoted to economic and environmental sustainability, while only two pages are devoted to a discussion of social capital and none to any other conceptualization of a social aspect of sustainability.

This is an inadequate response to central questions of sustainability. Missing is the work of economists that has reoriented the thinking of development bodies, including the United Nations Development Programme (UNDP), from a tight focus on GDP per capita to the much more nuanced understanding of the purpose of economic development as human development. We do not see incorporated the work of feminist economists who have studied the value created by nonmarket actors, particularly households and community groups. We do not see the work of economists such as Peter Lindert, who have made the economic case for the contribution of the public sector to human well-being.

This market-limited constriction of vision in sustainability economics is ironic; much of the impetus for the development of environmental economics stemmed from the fact that environmental concerns were being ignored because they were outside the market calculus. That environmental resources and the environment itself were not valued in economic analyses, other than as potential commodities, is the wellspring of the work that has become environmental economics, mutated now also into ecological economics and the economics of sustainability.

The understanding that GDP per capita is not a satisfactory expression of even economic welfare, never mind the quality of life or human well-being, was, after all, a fundamental insight of the first environmental economists. E.F. Schumacher, writing in 1974, proposed "a study of economics as if people mattered." Herman Daly and John Cobb were reaching for "an economics for community" (1989, 18), both to replace the consideration of homo economicus as an oddly isolated individual with "the viewpoint of a person in community" and to expand the notion of community to that sustained by Wendell Berry's Great Economy, which "sustains the total web of life and everything that depends on the land" (ibid., 8).

The result has been ongoing work to modify national income accounting by environmentalists and others, to replace gross domestic product with a new measure. For example, Daly and Cobb proposed an Index of Sustainable Economic Welfare that started with GNP but modified it by consideration of income distribution, natural resource depletion, environmental damage, and the value of unpaid work in the household.

The OECD's concern that economic growth as generally understood is not sustainable and cannot be relied upon to eradicate poverty worldwide was another key insight of the original environmental economists. In the early 1970s Herman Daly was calling for a "steady state economy" in which "the important issue will be distribution, not production" (1973, 19), because "in a finite world continual growth is impossible" (ibid., 5).

That economists concerned with sustainability have evaded the central issue of distribution is frustrating, but not perhaps surprising. If economic growth must slow or stop to avoid serious environmental consequences, distribution becomes a central issue, but concerns about distribution have been marginalized for decades in economics. A knee-jerk reliance on Pareto Optimality—the idea that the only way economists can be sure that economic welfare is increased is by policies that leave everyone at least as well off as they were—has shackled economic analysis. In this framework, economic welfare is not improved by taking the cost of breakfast from one of the world's richest people, Carlos Slim or Bill Gates, and passing the value on to a starving child, since Slim and Gates are made worse off. When faced, then, with the primary economic question—how to reduce poverty—many economists have been able to advocate only growth. We need to have more, if some are to have any, as we cannot contemplate anyone having less.

Despite most economists' politically advantageous reliance on a prescription of growth to fight poverty, there have always been those willing to venture that we have grown enough already, if we would only redistribute. Heilbroner quotes John Stuart Mill as saying in the 1840s, "It is only in the backward countries of the world that increased production is still an important object; in those most advanced, what is economically needed is a better distribution" (1996, 145).

Even Karl Marx, who asserted that it was imperative for economies to evolve through the stage of capitalism in order to build the productive capacity necessary for socialism, thought that the most developed nations had grown enough. As put by Friedrich Engels, after Marx's death,

> But if . . . division into classes has a certain historical justification, it has this only for a given period, only under given social conditions. It was based upon the insufficiency of production. It will be swept away by the complete development of modern productive forces. . . . This point is now reached. . . . The possibility of securing for every member of society, by means of socialised production, an existence not only fully sufficient materially, and becoming day by day more full, but an existence guaranteeing to all the free development and exercise of their physical and mental faculties—this possibility is now for the first time here, but *it is here.* (Engels, "Socialism: Utopian and Scientific," in Tucker 1972, 636–37; italics in original)

Juliet Schor (1991) pointed out that Americans in 1990 could have been working half the hours we actually were if we had maintained the consumption levels of 1948. Certainly we could imagine having "spent" part of our increased output on redistribution and leisure rather than entirely on rising material standards of living.

Now, thirty-five years after Herman Daly told us that continual growth is impossible, global warming and other environmental concerns suggest we can no longer prescribe growth as the antidote to poverty, if we ever could.[1] The challenge remains, as Daly expressed it, to accomplish development and fair distribution without growth, or at least without unsupportable strain on the environment.

Human Development, Unpaid Work, the Public Sector, and Human Well-being

While some environmental economists were critiquing the use of GDP as *the* economic yardstick, based on neglect of environmental considerations, many development economists became similarly disaffected. Nobel Prize winner Amartya Sen's work has been extremely influential, advocating a shift from defining development in terms of growth of GDP, incomes, or industrialization to viewing development as "a process of expanding the real freedoms that people enjoy" (1999, 3). Sen argues that greater freedoms and human development are "both (1) *the primary end* and (2) the *principal means* of development" (ibid., 36; italics in original).

According to Sen, five kinds of freedoms reinforce each other and work together instrumentally to facilitate both human and economic development. These are (1) political freedoms and entitlements, (2) economic facilities, or the opportunity to make use of economic resources, (3) social opportunities, by which he means education and health care particularly, (4) transparency guarantees, which give people the ability to trust, or a rule of law, and (5) protective security, referring to an effective social safety net (ibid., 38–39). Sen argues that these freedoms underpin an individual's capabilities, which must be real as well as legal or theoretical. In other words, for example, the legal right to an education does not create a true capability if extreme poverty or sexist social norms preclude school attendance.

People's functionings are the outcomes of their choices and actions, given their capabilities, and reflect in part, but not completely, their capabilities.

The goal of development policies, then, should be expanding freedoms and increasing human development. Often greater human development coincides with higher incomes because wealthier nations can "afford" more social investment. But, as Sen points out, some relatively low-income countries and regions—such as Costa Rica or the Kerala state of India—have achieved relatively high levels of human development. In other cases, investment in human development appears to have been the foundation for later, rapid economic growth, such as in Ireland and China.

Under the leadership of Mahbub ul Haq, the UNDP adopted human development as the goal of international development initiatives. Since 1990 the UNDP has published an annual Human Development Report (HDR), taking on a different topical focus each year, most recently climate change. The HDR consistently includes measures of the human development index (HDI) for each nation. Designed as a practical measure of human development for low-income countries, the HDI consists of measures of purchasing power, literacy and school enrollment, and health as revealed in life expectancy.

Clearly, purchasing power, literacy, and health do not flow exclusively from private-sector entities engaged in market transactions, as might be suggested by the current boundaries of the economics of sustainability. Education and health care are largely provided by the public sector, the economic impact of which is discussed below. Subsistence agriculture and other efforts of unpaid members of households and communities are also critical to human well-being, if as generally omitted from economic accounting as environmental "amenities" such as clean water, a parallel pointed out forcefully by Marilyn Waring (1988).

The contribution of subsistence agriculture to human well-being and of the unpaid efforts of women particularly, worldwide, have been neglected in economics in general and in the economics of sustainability in particular. This omission is not logical. As Sir Richard Stone

(1997) has pointed out, unpaid work in the household was left out of national income accounting based on convenience, not principle. Adam Smith may have described his dinner as deriving from the self-interest of the butcher, the brewer, and the baker, but its arrival on the table in front of him owed at least as much to the unpaid work of his mother (Folbre 2001, 9).

The work over decades of Luisella Goldschmidt-Clermont (e.g., 1982 and later papers), Duncan Ironmonger (1996), and others has demonstrated that the value of unpaid work is most likely the equal of the GDP annually, even in the "developed world." Many of these accounts can be considered underestimates, as they are often figured using low, domestics' wages to value the output of only one activity at a time, such as cooking dinner, while someone may be simultaneously supervising children and doing laundry. Further, it makes no sense to attribute the entire value of human capital to education, of health to commercially provided health care, or of social capital to civic organizations, while ignoring the critical role of the family in creating these forms of capital and making a large, valuable contribution to human well-being (National Research Council 2005).

In the developing world, unpaid women's work and women's capacities are receiving increasing attention. Indeed, the UNDP has created a gender-sensitive human development index, largely because it has become clear that investment in women's capabilities, easing women's disproportionately large work burdens, and putting resources in the hands of women who have their minds focused on children's needs is absolutely key to development. For instance, Sen (1999) reports that increasing female literacy is the most powerful mechanism for reducing child mortality.

While UNDP measures are not adequate to measure human well-being differences among affluent nations, human development issues are as relevant for the wealthy nations as for the less affluent. The prosperous countries vary considerably in their success at fostering human development, particularly for particular populations and regions within these nations, in ways that are not visible in GDP figures. These variations can be captured in a Human Wellbeing Index (HWI) developed by Robert Prescott-Allen (2001), who has built a companion Ecosystem Wellbeing Index. Both indices can be constructed for nations, regions, or the planet as a whole.

Prescott-Allen's (2001) human well-being index is complex, comprised of five dimensions, each of which includes ten elements. The five dimensions are health and population, wealth (household and national), knowledge and culture, community (including freedom, governance, peace, and order), and equity. Variations in the Human Wellbeing Index highlight the benefits of economic arrangements that support the two elements of economies overlooked by economists of sustainability: unpaid work in families and communities and collective provision of public goods.

The human well-being indices are highest for Scandinavian countries, primarily because of low rates of poverty and its consequences. In other words, the Scandinavian nations have done the best job of providing what Sen called the instrumental freedoms of economic facilities for even their lowest-income citizens, as well as social opportunities and protective security. The Nordic nations have facilitated the private provision of family care with policies such as parental leaves supplemented by the public provision of social services (Esping-Andersen 1999; Smeeding 2006).

One way to view these effective welfare state policies is as minimizing social exclusion, or social marginalization owing to the lack of ability to contribute to society due to low educational attainment, unemployment, incarceration, or substance abuse. The evidence suggests there is no better indicator of future social exclusion or marginalization than child poverty (Esping-Andersen 2002). Indeed, child poverty rates might serve as a simple indicator of human development and the social aspect of sustainability, in lieu of the more comprehensive human well-being index.

It appears that investment in social programs is as valuable for promoting both human development and economic growth in the first world as Sen has argued that they are in the third. Further, Peter Lindert (2004) has shown that the Scandinavian welfare state has substantially improved human well-being without being a drag on the economy. Recognizing that this finding flies in the face of the dearly held beliefs of many economists, Lindert devotes two volumes to a historical and empirical demonstration of the key role of social spending for economic growth, provided that programs are well designed, as real-world programs tend to be. In the case of Sweden in particular, Lindert attributes high Swedish growth and productivity rates to efforts to keep women in the workforce.

It may be that inclusion pays in general. Minimizing social exclusion lowers the public bill for prisons, police, emergency room health care, and a host of other defensive responses to social ills. There is a cold economic rationale for social spending that minimizes child poverty, keeps kids in school and their families housed, provides child and health care, and, in the end, produces employed taxpayers who parent their children well and can look after their elderly parents.

While economists concerned with sustainability may not want to advocate social welfare programs on the basis of their contribution to economic growth, they should take note that the public sector appears to be able to deliver high levels of human well-being without reducing standards of living measured more conventionally. The public sector has a role to play in the economics of sustainability that is not limited to regulation and the administration of property rights for private actors in the market sector of the economy.

Toward a More Comprehensive Economics of Sustainability

In short, it appears that the development of an economics of sustainability capable of meeting the challenge of achieving development without growth—posed thirty-five years ago by Herman Daly and currently by the OECD Project on Sustainable Development—requires the wider scope emerging elsewhere in the discipline.

Julie Nelson proposed that economics be understood as focusing "on the provisioning of human life, that is, on the commodities and processes necessary to human survival" (1993, 32). An emphasis on provisioning has become one of the central tenets in the emerging body of work termed feminist economics (Power 2004). We can go back to Fernand Braudel's definition of economic life, interpreted by Robert Heilbroner and Aaron Singer, as "the routines of daily work, the everyday round of the tasks by which we sustain ourselves" (1984, 6).

Even definitions of economics found in introductory textbooks are changing, abandoning an exclusive focus on commodities and market exchange. For example, according to Karl Case and Ray Fair: "Economics is the study of how individuals and societies choose to use the scarce resources that nature and previous generations have provided" (1996, 2). Goodwin et al. state that "economics is the study of the way people organize themselves to sustain life and enhance its quality" (2005, 2).

Specifically, an improved economics of sustainability needs to focus on human development, rather than economic growth as captured by rising levels of gross domestic product; needs to include in its purview the critical allocation of resources to the creation of human well-being in the nonmarket segments of the economy, particularly the household; and needs to be cognizant of the key role played by the public sector in the provision of human well-being.

An expanded economics of sustainability can move beyond the level of definition and rhetoric, with a research agenda that makes use of the measures available to us for both rich and poor nations, in the form of the human development and human well-being indices, or even simple child poverty rates. With these we can evaluate the impact of policies and practices designed to increase human well-being while reducing and reversing the unsupportable environmental consequences of our current economic activities. If we do not, we will find ourselves in the same spot in another thirty-five years, trying to explain to our children why we concentrated so exclusively on such a limited field.

Note

1. Many analysts would tell us that market-based economic growth cannot end poverty without significant intervention by the state to redistribute income. Skepticism about the prospects for poverty reduction of market-centered globaliza-

tion based on the Washington Consensus is expressed in the recent International Labor Organization report by the World Commission on the Social Dimension of Globalization (2004).

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