

*OECD Insights*  
**Sustainable Development: Linking Economy,  
Society, environment**

*Summary in English*



- We see the expression “sustainable development” everywhere these days, but what does it actually mean? How do production and consumption influence sustainability? Is globalisation of the economy helping or hindering it? Can sustainability be measured using the traditional tools of economic analysis? What can governments, enterprises and citizens do to promote it?
- This book from the *OECD Insights* series addresses these questions and presents the ideas, issues and trends that shape our thinking about sustainability. It argues that although the concept is often seen as essentially about the environment, sustainability is in fact about using economic development to foster a fairer society while respecting ecosystems and natural resources.
- This is not an easy task, and the choices that we as citizens, or our governments, have to make will usually involve trade-offs. *Sustainable Development* outlines these challenges, and suggests what can be done to meet them.

***Did you know?***

- One in four people in the developing world live in absolute poverty.
- A billion mobile phones are sold each year and an average user changes phones every 18-24 months.
- It takes 2400 litres of water to make a hamburger.

The term sustainable development began to gain wide acceptance in the late 1980s, after its appearance in *Our Common Future*, also known as *The Brundtland Report*. The result of a UN-convened commission created to propose “a global agenda for change” in the concept and practices of development, the report signalled the urgency of re-thinking our ways of living and governing.

Two points are essential to sustainable development. First, the realisation that economic growth alone is not enough to solve the world’s problems: the economic, social and environmental aspects of any action are interconnected. Considering only one of these at a time leads to errors in judgment and “unsustainable” outcomes. Focusing only on profit margins, for example, has historically led to social and environmental damages that cost society in the long run. But taking care of the environment and providing the services that people need depends at least in part on economic resources.

Next, the interconnected nature of sustainable development calls for going beyond borders, whether they be geographical or institutional, to co-ordinate strategies and make good decisions. Problems are rarely contained within predefined jurisdictions such as one government agency or a single neighbourhood, and intelligent solutions require co-operation as part of the decision-making process.

At the core of sustainable development is the need to consider “three pillars” *together*: society, the economy and the environment. No matter the context, the basic idea remains the same – people, habitats and economic systems are inter-related. We may be able to ignore that interdependence for a few years or decades, but history has shown that before long we are reminded of it by some type of alarm or crisis.

Each country’s historical, economic, social and political context is unique, but the basic principles of sustainable development apply to all. Economic growth is essential, but growth alone, without understanding all the factors that contribute to well-being, does not reduce poverty sustainably. Economic growth generally correlates with overall improvements in quality of life, higher levels of education and life expectancy at the country level, but this does not tell us how this growth is achieved; whether or not it is lasting; and who benefits or is left behind.

## Material and non material values

We live in a society where growth and economic activity have long been the central focus. World GDP has grown from around \$16 trillion in the mid 1970s to over \$40 trillion today. Companies are churning out more of everything and inventing new products all the time. Although poverty and deprivation still exist, most people in OECD countries enjoy a standard of living that allows them to spend a share of their income on goods and services other than food, shelter, clothing or other basics.

Assigning a value to things that previously fell outside systems of accounting, budgeting and measurement is a major challenge. It is not easy, for example, to assign a value to natural resources. For some, such as forests, we can calculate the value of what is produced because it is bought and sold and therefore has a monetary value. Still, knowing the price of wood doesn't tell us anything about its value in offsetting CO<sub>2</sub> emissions, its role in preserving biodiversity or its spiritual and cultural value to people whose way of life depends on it.

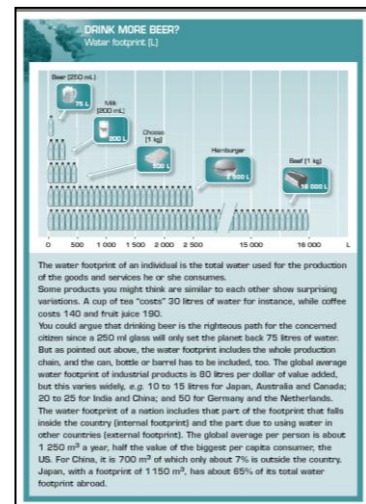
Trends in global production and consumption patterns are unlikely to change significantly. Goods are becoming cheaper and are being transported in ever-bigger amounts from one side of the world to the other. Technology might reduce some of the negative impacts on sustainability but it will create others, and technological improvements are often outpaced by growth in consumption. Cars are now much more fuel-efficient than before, for instance, but air pollution is getting worse because so many more people have cars.

Experience of the past decades has shown that providing sustainable products to the niche market of “green” or “fairtrade” consumers is not enough to change patterns on a larger scale, although it has been a significant factor in pushing both producers and consumers in a new direction.

More people are aware of the impact that their choices have on the world around them. Problems related to unsustainable consumption - the cost of petrol, for example - have begun to touch the average consumer in more concrete ways. As a result, a growing number of consumers are beginning to ask important questions about what they buy: how much waste is created by the product and its packaging; how much water, energy and other resources go into its production (and into its disposal); and what are the living and working conditions of the people who produce the goods.

Manufacturers are designing more products that are appealing for their aesthetic qualities or their ease of use *as well as* for their environmental and social sustainability. The changes in consumer awareness and the proliferation of more sustainable products and services over the past few years are encouraging. Some critics and consumer advocates rightly point out that some of this is “fluff” or “greenwashing”. Products that claim to be environmentally friendly can look much less so once you take a hard look at the list of ingredients or analyse the entire product life cycle. The fact that more people and businesses recognise and even wish to capitalise on this realisation shows the growing mass appeal of sustainability.

### [Drink More Beer? Water footprint \(L\)](#)



### Measuring sustainability: what should we count and when?

At first sight, measuring sustainable development seems impossible. The subject is so vast and the influences so many – climate change, child care, business ethics, government policy, consumer

trends to name but a few. We know that sustainable development involves economic, social and environmental variables – all of which must be measured to some extent. There exists a wealth of indicators from traditional macroeconomic measures, such as gross national product (GNP) and productivity; to environmental indicators, such as water consumption and emissions; to social statistics, such as life expectancy and educational attainment. But which indicators are the most important to sustainable development?

The issue is made even more difficult by the fact that as well as being multidimensional, sustainable development is a dynamic concept. Quantifying it requires juggling a number of parameters including time horizons. Economic, social and environmental phenomena operate at different rhythms to each other. Consider the economy: if you're planning a major energy project, you have to think at least 50 years ahead, but if you're trading on financial markets, the nanoseconds it takes price data to go from one exchange to another can mean substantial gains or losses. The environment shows how the pace of change can suddenly accelerate, as when fish stocks rapidly disappear after declining slowly for years.

Moreover, we have to bear in mind that sustainable development is a process linking what happened in the past to what we're doing now, which in turn influences the options and outcomes of the future. And developing measures is not a purely statistical or technical exercise. It touches on two very sensitive areas for all societies: government accountability and social participation. Measuring progress on sustainable development with reliable information is a key ingredient of the democratic process. It makes governments more accountable and gives people a tool to participate more actively in defining and assessing policy goals.

The key idea of sustainable development is the linkage between the well-being of the current generation and the well-being of future generations. To make this connection we can use the "Capital Approach", a framework for measuring sustainable development which operates on the principle that sustaining well-being over time requires ensuring that we replace or conserve wealth in its different components. With this model, a society's total capital base encompasses five individual types:

- *financial capital* like stocks, bonds and currency deposits;
- *produced capital* like machinery, buildings, telecommunications and other types of infrastructure;
- *natural capital* in the form of natural resources, land and ecosystems providing services like waste absorption;
- *human capital* in the form of an educated and healthy workforce;
- *social capital* in the form of social networks and institutions.

Conceiving these different forms of capital as inputs into the production of well-being allows us to calculate national wealth as the sum of the different kinds of capital.

## The governance of uncertainty

The media often emphasise the role of corporations and individuals in sustainable development, but governments can have far more influence than even the biggest multinational. Their ability to influence behaviours and co-ordinate efforts can make all the difference in producing substantial results. Finding the right policy tools to encourage good production and consumption practices and avoid overlap and inconsistency is one of the biggest challenges that governments face. Persuading producers and consumers to change is not always the most efficient way to tackle the issues, nor is it enough to produce a big enough change on a large enough scale. The individual producer or consumer generally has little power to change things or interest in doing so. Governments have the enormous advantage however of being able to make laws and impose regulations. One solution at their disposal is simply to outlaw products and behaviours that are seen to be doing more harm than good. This is what happened to CFCs (gases used in refrigerators and aerosol sprays) that were damaging the ozone layer.

Environmentally related taxes (“green” or “ecotaxes”) and emissions trading can also be efficient instruments. They can force polluters (whether producers or consumers) to take into account the costs of pollution and can help to reduce the demand for harmful products. Ireland's 2002 “plastax” led to a 90% reduction in the use of plastic bags.

Governments perform a number of tasks that can contribute to sustainable development. Through their data gathering and analysis, policy making and co-ordination, they can provide support and leadership for moving society in a given direction. They can make sure that individual interests do not detract from the common good. Governments also intervene to deal with what economists call “market failures”, situations in which market forces alone do not produce the most efficient outcome. And given the global nature of many of the challenges facing sustainability, nations have to co-operate at the highest levels to design and apply solutions. National governments have the authority and power to do this. They also have the means to ensure that decisions are applied.

When describing the role of government, it's easy to give the impression that governance for sustainable development is merely a matter of identifying objectives then putting in place a series of measures and bodies to oversee them. It's not. Just about every aspect of the economy, society, and the physical resources on which they ultimately depend, influences sustainability. Outcomes depend on an

infinite number of interactions working on different timescales of varying importance. No model, however robust, no foresight, however penetrating, can tell us everything we'd like to know. Governments attempting to implement sustainability have to deal with this uncertainty. Not only their goals, but the strategies and instruments used to achieve them must be sustainable, too. They must be rigorous enough to be effective, but flexible enough to adapt as circumstances and priorities evolve. In the face of uncertainty, governance itself has to be sustainable.

**The full report can be accessed on [www.oecd.org/insights](http://www.oecd.org/insights)**

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OECD Rights and Translation unit (PAC)  
2 rue André-Pascal, 75116  
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