

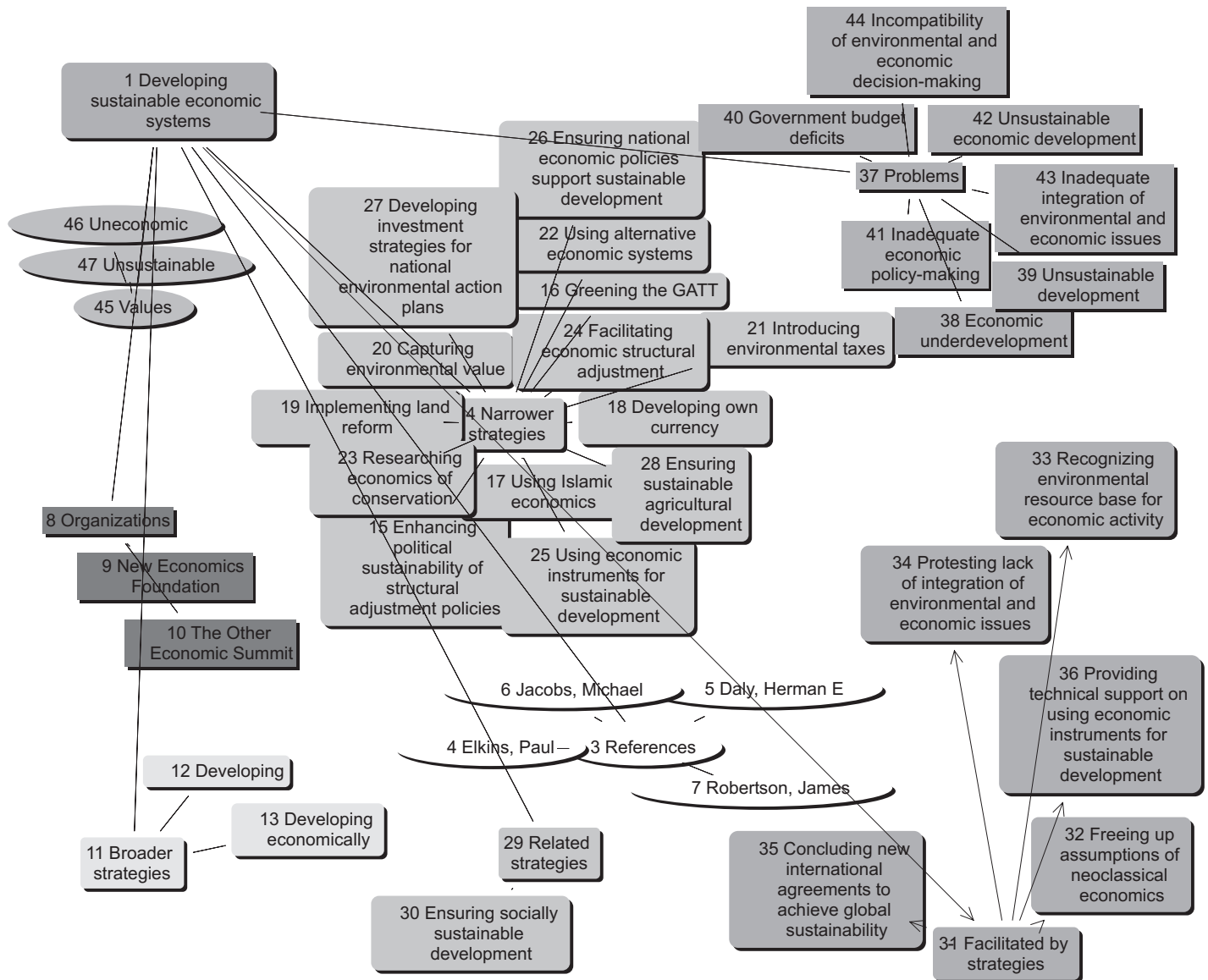
## Figure 10.2.3.2. Developing sustainable economic systems

**Database:** Global Strategies and Solutions

**Link type:** narrower, broader, related, facilitated by, problems, values, references, organizations

**Network nodes:** 47

**UIA database:** <http://db.uia.org/scripts/sweb.dll/uiaf?DD=ST&DR=J0935> used in *Decision Explorer* (<http://www.banxia.com/>)



Economic growth is inconsistent with sustainable development when it results in the net reduction of the portfolio of assets which includes: (1) natural assets, comprising resources (biological resources, agricultural land, geological resources) and environmental attributes (ecological processes and biological diversity, including species and places that are valued aesthetically or for their own sake); (2) manufactured assets (technology, buildings, equipment, infrastructure); and (3) human assets (knowledge, skills). Sustainable development requires economic efficiency and equity within and between generations. Economic efficiency is the production of the optimal combination of outputs by means of the most efficient combination of inputs. Equity is the expansion of opportunities for the disadvantaged and passing on to future generations a portfolio of assets of equal or greater value than the existing one. If one group increases its welfare at the expense of another, it should compensate the other by transfer of assets of equal or greater value, both within generations and between generations. Such compensations should be made now rather than in the future, because the welfare of the deprived group has actually been reduced, and equity is not served by compensation that is merely hypothetical. In order to ensure that the total value of the portfolio of assets is not diminished: the assets must be valued to reflect all their current and future contributions to future welfare; incentives must be provided so that individuals and organizations manage the assets according to these values; depletion or degradation of one asset must be compensated by an increase in the value of another. Sustainability needs to be uncoupled from economic growth. Macro-economic management then becomes the humane handling of the amount of economic growth, or lack of it, that is achieved. It is not yet known how much growth that will turn out to be but there are two possibilities. Emphasis on "sustainability" may generate modest growth. But the continuing emphasis on growth will intensify unsustainability in the future as in the past. Both possibilities are implicit in current uses of "sustainable development".