

The following questions were prepared by the WDR team and posed to the participants of the workshop in preparation for WDR 2003 held in Berlin in July 10-12, 2001. They served to focus the discussions around specific topics of relevance of the WDR. Workshop participants consisted of members of academia, government, think tanks, and civil society. The workshop was hosted by the Development Policy Forum/ DSE and the World Bank.

SESSION I: SUSTAINABLE DEVELOPMENT IN A GLOBAL ECONOMY

1. Are there real threats to current patterns of development?

We tend to use the term ‘sustainable development’ pretty loosely. Can we point to actual trends which, if not addressed, will *literally* lead to unsustainable outcomes - that is, will lead to *systemic crashes*? At different levels local, national, global.

For example: 19th-century socioeconomic structures in Europe were not sustainable leading to two major world wars in the 20th century, which could be described as systemic crashes.

2. Is there common ground on which to build meaningful action now?

If we are to advance the international dialogue concerning how to nudge the world onto a trajectory that is more equitable and sustainable we must articulate clearly the worldview of developing countries, and ensure that developed countries confront it seriously. This worldview, of course, is that developed countries "got there first" by cutting down their forests, polluting their air and watersheds, eliminating biodiversity, and loading up the earth's atmosphere with carbon. These same developed countries are now asking developing countries to spare their forests, preserve biodiversity, and concern themselves with carbon emissions. In the meantime they merrily proceed with unprecedented and frivolous consumption, while opting out of treaties which might constrain individual consumption in the interest of future generations.

The basis for productive dialogue seems fragile. How can this dialogue be made productive?

3. Is institutional optimism justified?

International treaties to deal with global issues are failing to attract constituencies at the national level, in both developed and developing countries. How do we interpret this phenomena of democratically-elected governments failing to deal seriously with the quality of life of current and future generations?

Is the problem amenable to institutional re-rigging? How do we ensure long-term commitment over two generations – i.e. what are the enforcement mechanisms?

4. Are consumption patterns in industrial economies a barrier to sustainable development globally?

Costanza, Prugh, others, point out that the main error of treating land (the environment) as merely a factor of production-is that it looks at the environment and its resources through the wrong end of the telescope. How big is the economy relative to the global ecosystem that sustains it? How big can the economy become without destroying the ecosphere and thus itself?

How many people the earth can support depends in part on how they want to live (adopting energy and natural resource consumption patterns of affluent Americans? Or the consumption patterns of above average citizens of Bangladesh/Burundi).

Many economists and social critics (Easterly, Hirsch, Frank) have posited that consumer utility depends in large part on *relative* consumption rather than *absolute* consumption, especially in richer societies.

In normative terms, this suggests that collective restraint in consumption of physical goods, or more importantly altering the consumption patterns of developed economies, would be directly welfare-enhancing. It would have the side-benefit of reducing environmental damage.

In positive terms, it suggests that as poor people worldwide expand their reference group to include wealthier people (thanks to massive advertising, plus demonstration effects through television, internet, etc), pressures for consumption will increase, as will social tensions – (in part because the welfare of poorer people will decrease as rising expectations are not and cannot be filled). Mass consumption in developing countries cannot attain the level of mass consumption in industrial countries as long as the consumption patterns of the latter are wasteful of resources.

Are there any actionable policy implications here?

5. Is technological optimism justified?

Technology has provided an unprecedented expansion in wealth and consumption and continues to provide solutions to meeting human needs including cleaning up pollution, increasing the efficiency with which resources are used, etc. However, increasingly the rate of technological change is outpacing our ability to understand its long-term environmental consequences, or to adjust rapidly and continuingly to social arrangements that are compatible with ever changing technological imperatives.

Is it prudent to behave as if there will always be a technological solution to an apparently unsustainable development path?

6. How do we address the needs of people living in fragile environments; how do we ensure the sustainability of these environments ?

Perhaps a billion people of the world's poorest people live in environmentally sensitive areas - mountains, steep hillsides, semi-arid areas, forest margins - where current livelihoods are probably not sustainable in the face of population pressure and climate change. (Examples include the Sahel, the Brazilian northeast, Central American and Ethiopian hillsides, many areas of depleted African soils.) Often the degradation of these areas has external environmental effects (biodiversity loss, flooding, desertification). Population growth is rapid in some of these areas (Niger, for instance, has the world's highest fertility rate) and there are often barriers to outmigration. Agricultural technology development is not focused on these areas. Prospects for non-farm employment are slim because of remoteness.

What can be done?

7. How can globalization be managed to avoid the perceived growth in environmental degradation and social inequality ?

Globalization has left fewer and fewer landscapes, seascapes, or habitats untouched by the effects of 'frontier economics'. It has brought new shocks to small scale social systems giving way to "tragedies of the commons" (McNeil)

In the early part of the century, Henry Ford took the leap, to allow labor to earn enough to be able to buy the products it was assembling (prior to that, market wages for unskilled labor kept labor closer to subsistence). Income distribution within western, industrializing countries improved throughout most of the 20th century due to sustain collective action by labor, but towards the last 20-30 it started to get much worse-within Western Countries and dramatically between countries. Many people have written on the subject (Wade, Sen, Stiglitz, Ul Haq, . . .)

Lant Pritchett made the stark comparison: "In 1870 the world's richest countries (US/UK) had roughly 9 times higher per capita income than the poorest country. In the 1990s, per capita income in the US was more than 45 times higher than Chad or Ethiopia. The average income per head of the 17 richest countries in 1870 was 2.4 times all the other countries-by 1990, the same group of countries was 4.5 times as rich as all the rest and the gap is widening. . ."

The view out of Seattle is that a global system that generates growing inequality, environmental destruction and a race to the bottom for working people-is unsustainable and the protests in Seattle were only the beginning.

Currently, globalization involves stark trade-offs, and winners and losers. Is there any way for benefits to be more inclusive and costs shared more widely?

SESSION II: FOREIGN TRADE, ENVIRONMENT, STANDARDS

1. Under what conditions could trade policy be used as an environmental instrument?

There's consensus among economists that trade policies are a blunt and inappropriate instrument for environmental protection. The standard prescription is to make sure that appropriate environmental institutions are in place to achieve environmental goals, and then to do what's right in the trade sphere.

However, we know that it is typically extremely difficult to set up environmental institutions in general, and even more difficult to set up effective environmental institutions rapidly. Trade-policy induced changes in commodity prices, however, can set up instant incentives for irreversible environmental damage, e.g. forest degradation. *In reality, then, a prescription to liberalize trade policy is synonymous with endorsing unmanageable environmental impacts.*

Do we have some concrete examples to help us think through the trade-offs involved?

Note some critical measurement problems: (Ekins, Folke, Costanza)

-- **Gains from trade** are systematically overstated in economic stats, especially for less industrialized countries, because they have substantial subsistence production and consumption which are routinely ignored in the accounts.

-- **opportunities** for trade can result in traditional, subsistence smallholders and indigenous people being expropriated so that more powerful interests can take advantage of "gains from trade, comparative advantage, and exports". The expropriated farmers migrate to hillsides, marginal lands, and further contribute to environ. degradation. This too does not show up in the economic statistics .

2. How can labor standards be maintained where they are high, or raised where they are low?

Dani Rodrick - - Higher labor standards can be maintained if there is a willingness to pay for them. Openness to trade renders it more difficult for workers to get employers to share windfall gains or even productivity increases. As long as employers and capitalists have the option of moving (or importing from abroad), they cannot be induced to take a hit in terms of real after-tax earnings. Worker's must pay the lion's share of the cost of higher standards. In an integrated world economy, higher labor standards cost workers more, in terms of both wages

and jobs. Increased integration with poor countries creates jobs in developing countries where they are sorely needed, but competitiveness pressures limit the stability and benefits of these new jobs in developing countries, while at the same time eroding the stability and benefits of jobs in industrial countries. International institutions and agreements haven't provided the answers yet.

How to move forward?

3. How does one deal with the global governance of trade, environment, and labor issues?

Michael Ross has argued in the case of tropical forests in South East Asia that institutions to manage resources sustainably were dismantled by governments and politicians trying to get access to the rents generated by increased global demand for timber. What alternative institutional arrangements might succeed when regulators cannot be relied upon to manage market pressures? Do these institutions have to be global?

SESSION III: INSTITUTIONS, MARKETS, SOCIAL CHANGE

1. Can appropriate institutions evolve rapidly enough to forestall regrets (particularly catastrophes)?

Ashford has looked at institutions and concluded, that getting institutions right is a difficult, time-consuming, conflict-invoking process. Being an institutional optimist is not an obvious outcome of reviewing the history of how institutions emerge. Democracies have had less disastrous outcomes than dictatorships. Overall though the record - - particularly on the environment in early stages of development - - is not great. International institutions have also not been very effective yet, despite some successes (Montreal Protocol).

Do we have any way of jump-starting or catalyzing new institutions?

2. What are the successful examples of environmental institutions in developing countries ?

What are examples of institutions for environmental management that have worked and are sustainable in the developing world, at different scales: community, city, nation?

3. Is certification the wave of the future?

There is a dramatic efflorescence of private systems for certifying environmental or social performance. What's the future of certification? Is it just a transitional phase leading to a

publicly-run monitoring, reporting, and enforcement system; an essential adjunct to public systems; or a dead end?

4. What are the implications of the dropping costs of environmental (and social?) monitoring ?

Currently, monitoring and enforcement of environmental (and social) regulations is often difficult and expensive. The internet has already dramatically reduced the cost of disseminating information about environmental performance. Over the next ten or twenty years, the continuing revolution in electronics, remote sensing, and telecommunications is likely to very drastically reduce the cost of monitoring environmental conditions and environmental performance. It will become extremely inexpensive to monitor forest cover, water and air quality, fishing boat movements, etc. What are the implications for the design of environmental institutions? Of social institutions? For privacy?

5. Cross-national payments for biodiversity conservation ?

Here is an emerging view on biodiversity conservation in the tropics. In many cases, the local or even national benefits of retaining a marginal hectare of forest for its biodiversity benefits are small compared to the opportunity cost. (Bioprospecting doesn't pay much; flood prevention benefits are significant only in steep valleys near towns, etc). However, there may be substantial international demand for conservation of that marginal hectare. This leads to the natural suggestion of cross-national payments for conservation (or for maintenance of carbon stocks): payments would be made periodically, conditional on maintenance of the forest and its biodiversity.

In the context of carbon markets, however, these proposed arrangements have been considered controversial; in the context of biodiversity, there are very few examples of this kind of arrangement, despite huge donor expenditure on conservation.

Why? Is this approach desirable and practical? What kind of institutions are required for it to work?

SESSION IV: GROWTH AND NATURAL RESOURCES

1. What are the consequences for managing natural resources if growth in income and output is itself based on incomplete measures ?

According to McNeil, capitalists, nationalists, communists all came to "worship" economic growth because it disguised a multitude of sins. You could tolerate endless corruption, vast social inequality, invasive personal surveillance, ecological destruction-- so long as economic

growth lasted could an. The overarching priority of economic growth was the most important idea of the 20th century. Economic thought did not adjust to the changed conditions it helped to create—thereby continuing to legitimate and indirectly cause, massive, and rapid ecological change. Economists who challenged the goal of growth and sought to value ecosystem services or account for depreciating natural assets, have remained outside the pale. There is now an increasing interest in improving growth accounting either by expanding it in the direction of green accounts or complementing it with indicators of environmental health or performance. Both suggested options have their own problems. In the case of the first, valuation issues appear to still create insurmountable hurdles. In the second case, the lack of prices makes comparison and trade-offs difficult to evaluate due to a lack of a common metric.

What alternatives are available to improve policy formulation?
How can social impacts be included in such a framework?

2. How can natural resources be managed for the broader benefit of the economy and society than is currently the case in developing countries?

Natural resources regularly generate social conflict as different groups vie to get access to the resource rents. Even in the absence of social conflict, the availability of these rents can distort relative prices (Dutch disease), inducing mis-allocation of investments. As such, they can undermine the potential for sustained growth that is broad-based.

Can one identify many different examples of successful management of natural resources in developing countries? If not, why not?

SESSION V: CLIMATE CHANGE, COLLECTIVE ACTION, INSTITUTIONS

1. How can appropriate institutional arrangements reconcile conflicting views of a problem

Developed country scholars develop ever more clever arguments about the most *efficient* way to curb the *flow* of carbon emissions (including postponing getting started), while developing country scholars develop clever models to *assign responsibility* for existing *stocks* of atmospheric carbon.

-- how can we deal constructively with this *efficiency - responsibility* gap?

2. Is the ‘precautionary principle’ a robust basis for policy formulation?

Coping with global warming on the scales predicted could be the major issue of the next century. Many claim that “. . . the total system of global society and environment is more uncertain, more chaotic, than ever before.” (McNeal) To proceed recklessly, buoyed by technological optimism, is to flout the risks lurking in both the known unknown and the unknown

unknown “If it turns out we were unnecessarily conservative, we can leave our children and grandchildren an endowment in the form of an extravagantly, not just adequately-healthy, beautiful, spacious, and livable world.” So “*when in doubt, chose the option that leaves the most options later*”. (Prugh, The Ecological Economics Perspective).

On the other hand, Thomas Schelling presents the following argument. We suppose that: a) mitigating climate change is extremely expensive; b) the main benefits of climate change mitigation accrue to people living in developing countries two to three generations hence (because of their dependence on agriculture and inability to afford adaptive measures). This suggests that our motivation in mitigating climate change is to help the poor population of the future. Schelling suggests that resources would be more effectively spent on helping today’s poor population: this would result in more poverty alleviation per dollar and the poverty alleviation would happen half a century sooner. Furthermore, if these resources accelerated development, then the grandchildren of today’s recipients would be better able to cope with climate change.

Is there a flaw in this argument? Does the precautionary principle – e.g., avoiding the possibility of catastrophic or nonlinear climate change such as a shutdown of ocean currents – override the Schelling argument?

3. Optimal abatement of GHG emissions: why don’t we do less now, more later?

Models of optimal abatement of climate change suggest that it is more efficient to plan for deep future cuts in emissions than in shallower cuts today, because it is cheaper to adjust future capital stock than to retrofit today’s technology. One might think that procrastination is appealing, that it would be easier to reach agreement about future reductions (or technologies) than about current ones. But is it possible to design institutions that can commit us to emissions reductions in the future?

Relatedly: are there identifiable, high-leverage decision points that can switch economies from high emissions to low emissions trajectories?

SESSION VI: POLITICAL ECONOMY AND ENVIRONMENTAL CRISES

1. Collective action failures vs. optimization failures?

Environmental economists tend to see environmental problems as arising from externalities; individuals are optimizing but imposing costs on others, and the solution therefore is institutions that solve the collective action problem by encouraging full internalization of environmental damages.

Many environmentalists, however, ascribe a wide class of environmental problems on failure of individuals to optimize, with the result that they impose preventable damages both on themselves and on others. Examples include:

?? failure to prevent erosion with both on-site and off-site effects

?? failure to adopt energy-saving technologies that offer rapid paybacks on investment, as well as reductions in air pollution

?? over-use of, and over-exposure to, agrotoxic chemicals

This leads to debates on:

-- whether or not these are true optimization failures (i.e. are the on-site benefits of the preventing erosion greater than the costs?)

-- whether the problems can be 'fixed' by public policy interventions (information provision, technology diffusion, improvements in credit markets, etc)

The presumption that these problems can be 'fixed' underlies the pervasive themes of 'win-win' opportunities for environmental improvement and 'mainstreaming' global environmental benefits.

What do we know, at this point, about this class of environmental problems? Is it an important class of problems? Are there generic solutions? Is this a generic class of problem with a generic response? Is there big scope for fixing environmental problems, or is it illusory?