

## Chapter 16

# Economics, Environmental Policy, Trade and Sustainability

### ABSTRACT

*Sustainability has to be measured by different tools of valuation. Furthermore, the philosophy behind environmental policy making also decides the way sustainability is perceived and measured in a society. Moreover, in a growing globalized world, trade regimes and routes also impact the social, economic and environmental segments of sustainability of trade partners. This chapter makes an attempt to outline these notions to bring a larger clarity on the subject of sustainability.*

Sustainability is a concept which is quite broad ended. It is because of this researchers working on the domain of sustainability can link it with economic, environment, governance and social aspects. Researchers from the discipline of economics trained particularly by the mode of neoclassical thinking often relate sustainability concept to the framework of valuation. According to this school, an

essential tenet of sustainability has to deal with how to value the resources all around us. Valuation is done mostly through monetary accounting of these resources which gives the people a sense that any resource poses a certain value which is incommensurable. However this view can be contested. In a ways the origin of this kind of thinking can be traced back to a quote by Hicks (1946) when he said that:

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*The purpose of income calculations in practical affairs is to give people an indication of the amount which they can consume without impoverishing themselves.*

But the world today has moved far forward than this and the principles of these income calculations from resources are widely contested now. But the objective of this chapter is not to elaborate on those debates: it will instead aim through to take the readers through some of these income accounting practices that are largely applied in measuring resources and in its further association to the concept of sustainability. Therefore, the chapter first starts with some of the natural resource accounting practices and thereafter moves towards the broader context of international trade and sustainable development which also forms the essential blocks of sustainability. Trade and sustainability connections are observed because today the world has become integrated. Income streams of countries are coming through exports of goods and services. With the growing dependence of countries on each other and south south cooperation measures between developing countries, dependence of these countries (for whom sustainability concerns are extremely important in comparison to developed countries), it is essential to explore some of the facets of trade and sustainable development interlinkages to understand the future of these developing countries. The next sections of this chapter make an effort to take the reader through these facets.

## **NATURAL RESOURCE ACCOUNTING**

### **Conventional SNRA (Systemic Natural Resource Accounting)**

This system of accounting creates a statistical framework by which the total value of the final output produced across sectors of the economy is estimated and maintained. Further, in this framework, the details of distribution of the factor incomes producing such a value of an output is also provided along with the final expenditure made within the economy on a particular year. Thus within this framework an attempt is made to understand the effects of economic policy measures on different sectors, institutions and the factors involved in those sectors. Hence within this framework, households, firms will be interacting with each other in Figure 1.

But to understand this flow between each element of the economy, it is essential to value resources which flow across the firms and households. Thus, at this juncture it is essential to ask the fundamental question of why there is a need to value and account for natural resources (Hardin, 1968)?

There is a need to value resources because there is a need to understand the impact of economic growth on degradation of natural capital. In order to understand such a degradation it is essential to know the value of the natural capital. Developing countries which have started to grow late might not have the adjustment factors to understand the depreciation of natural capital. Moreover, value of natural resources are often not included within the national wealth. Neither are they assessed by indicators of environmental quality. Thus

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