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# Both Growth and Greenery for This Good Earth

**By Robert W. Jerome and Bijan-Daniel Khezri**

WASHINGTON — "Sustainable development" is the current catch phrase used to link free traders and environmentalists. But it masks more ideological conflict than agreement. Each side is persuaded of the moral superiority of its views, and extremists would force us to choose between a growing economy and a healthy environment. On closer look, this choice may not be necessary.

Sustainable development has been defined several ways. In 1987 the World Commission on Environment and Development, headed by Gro Harlem Brundtland, prime minister of Norway, defined it as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." The Brundtland report suggested that conservation efficiency, technological improvements, widespread recycling and a slowing of population growth were necessary conditions for sustainable development.

Other definitions are equally didactic. Some use such imprecise terms as "lasting satisfaction of human needs." All focus on intergenerational equity, which is to say "leaving a useful and livable planet for future generations," or "not reducing real incomes in the future." Almost all definitions concentrate on better use of resources.

The sharpest difference among definitions remains whether sustainable development allows growth. Can we "grow" our way into sustainability, as free traders would have it, or have we reached the limits of growth, as many environmentalists believe? Must economic growth mean environmental degradation?

Debate is nowhere more sharply engaged than within the World Bank. Robert Goodland of the bank's environmental department says: "Sustainability will be achieved only to the extent quantitative growth [in output] stabilizes and is replaced by qualitative development. All growth consumes resources and produces wastes. We have reached the limits to the ecosystem's regenerative and assimilative capacities."

In contrast, Lawrence Summers, vice president and chief economist of the bank, says the policy challenge "is to create conditions favorable to income growth and environmental improvement, not to constrain growth through the imposition of inappropriate environmental standards."

Communication breaks down not only over the notion of growth, but over the question: growth for whom? Lester Brown, president of Worldwatch Institute, believes that "abandoning growth as an overriding goal does not and must not mean forsaking the poor." He concludes: "More growth of the sort engineered in recent decades will not save the poor, only strategies to more equitably distribute income and wealth can."

Mr. Brown advocates introducing debt-for-nature swaps that link debt reduction with investments to preserve or increase a nation's stocks of ecological capital in order to redistribute the wealth more "equally."

Both sides agree that reforming the aggregate measures of economic performance in national accounts, such as gross national product, would be a useful starting point. One way to do this would be to treat natural resources as capital, attempt to establish economic values for them, and treat decreases as capital consumption and increases as capital formation.

But such a national accounting adjustment implies numerous problems, not the least of which is how to measure reduction in the quality of the atmosphere, rivers and lakes, or in the diversity of species.

But if the academic consensus is fragile, the business community has moved forward. Industries, struggling to survive intense competition, create products through technological advances that use lighter, more durable materials, require less energy to produce and pollute less. Such a trend makes for more efficient and competitive national economies.

For example, Xerox's recycling of packaging pellets avoids 10,000 tons of waste a year and saves the company more than $15 million a year. A medium-sized textile plant in India, Harihar Polyfibres, raised production by 20 percent through environmentally conscious changes, and cut energy consumption by 60 percent and chemical consumption by 55 percent. Its $70 million investment was recovered in less than two years.

Capital markets are promoting sustainable development, too. The Jupiter Tyndall Group, a medium-sized investment management and banking group based in Britain, launched the Merlin Ecology Fund in 1988, which is dedicated to invest in companies that contribute to resource efficiency and overall environmental production.

By the end of last year, more than $468 million had been invested, showing strong demand for shares of environmentally responsible companies. This has spawned a service market that provides investors with information on companies' environmental performance and policies, such as First Analysis in the United States, and James Capel and Banque Paribas in Europe.

Environmental concerns are now a strategic part of business and investment decisions. From raw materials to stock markets, the marketplace is entwined with the environment. Growth need not contradict environmental sustainability: Today's realities demand both.

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