Europa: Nuove coordinate economiche e sociali

Prof.ssa Chiara Mio

16 Sept. 2013–

IRSE
ISTITUTO REGIONALE
STUDI EUROPEI
FRIULI VENEZIA GIULIA

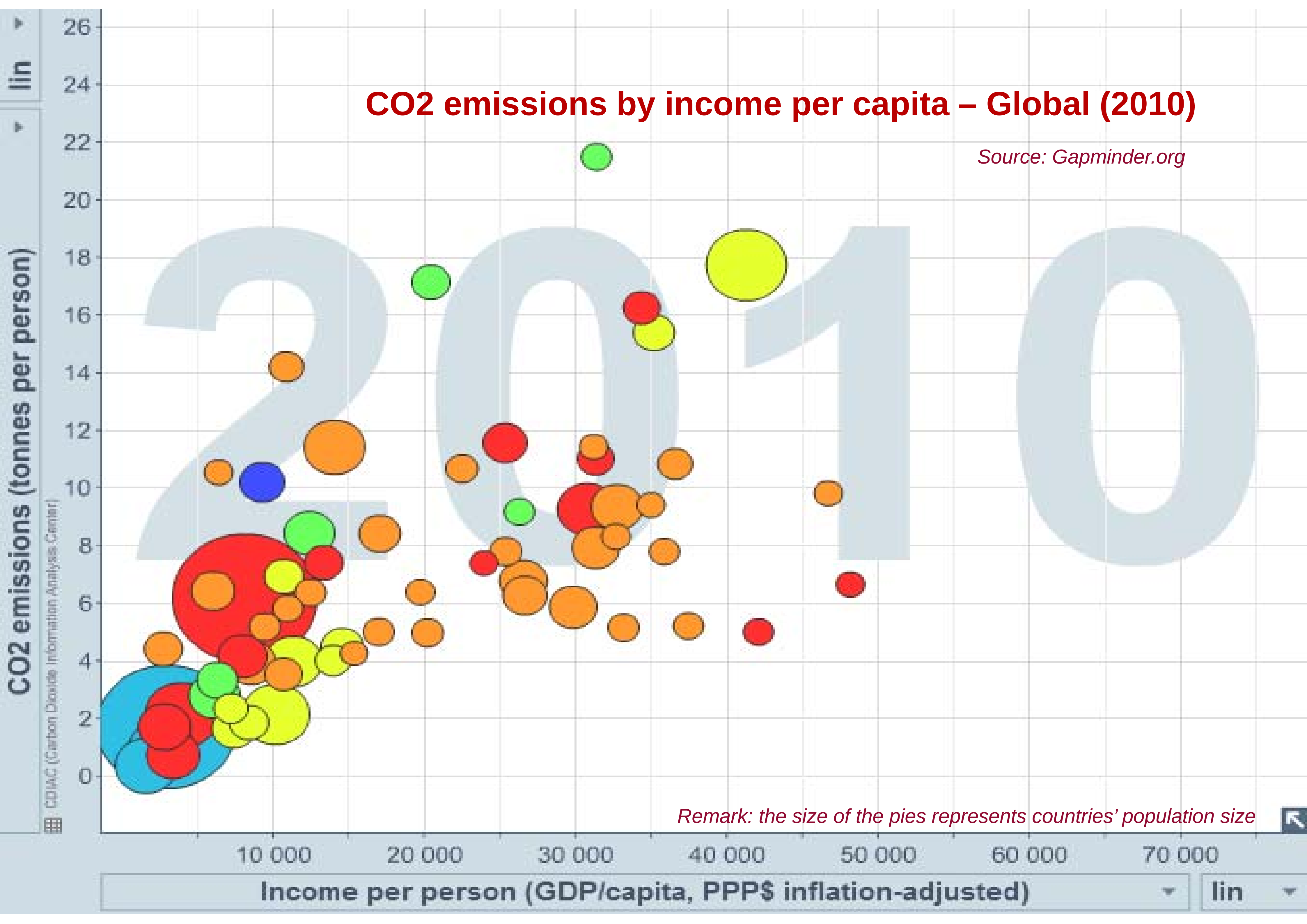
Università Ca'Foscari Venezia

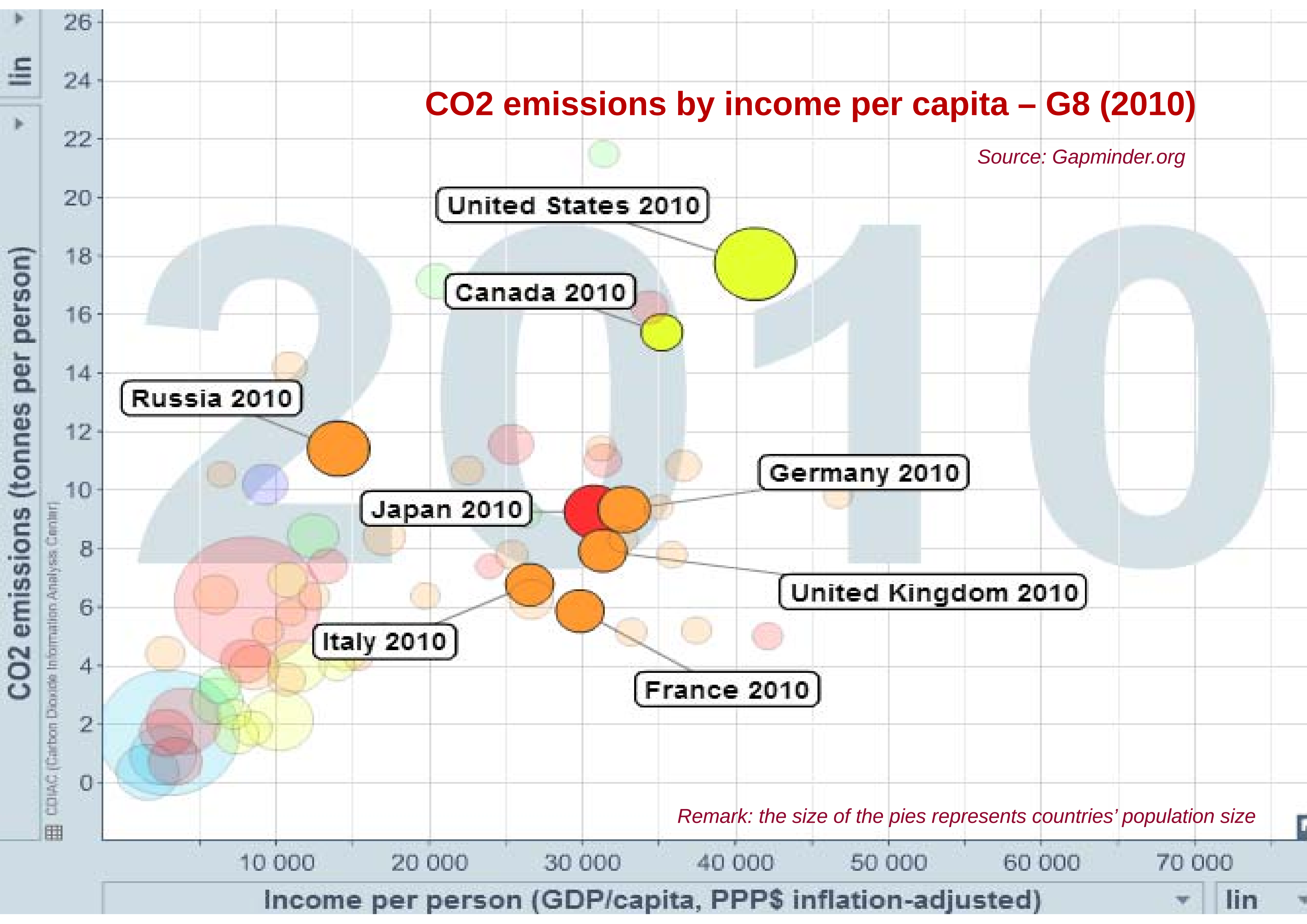
Un-Sustainability: a told story

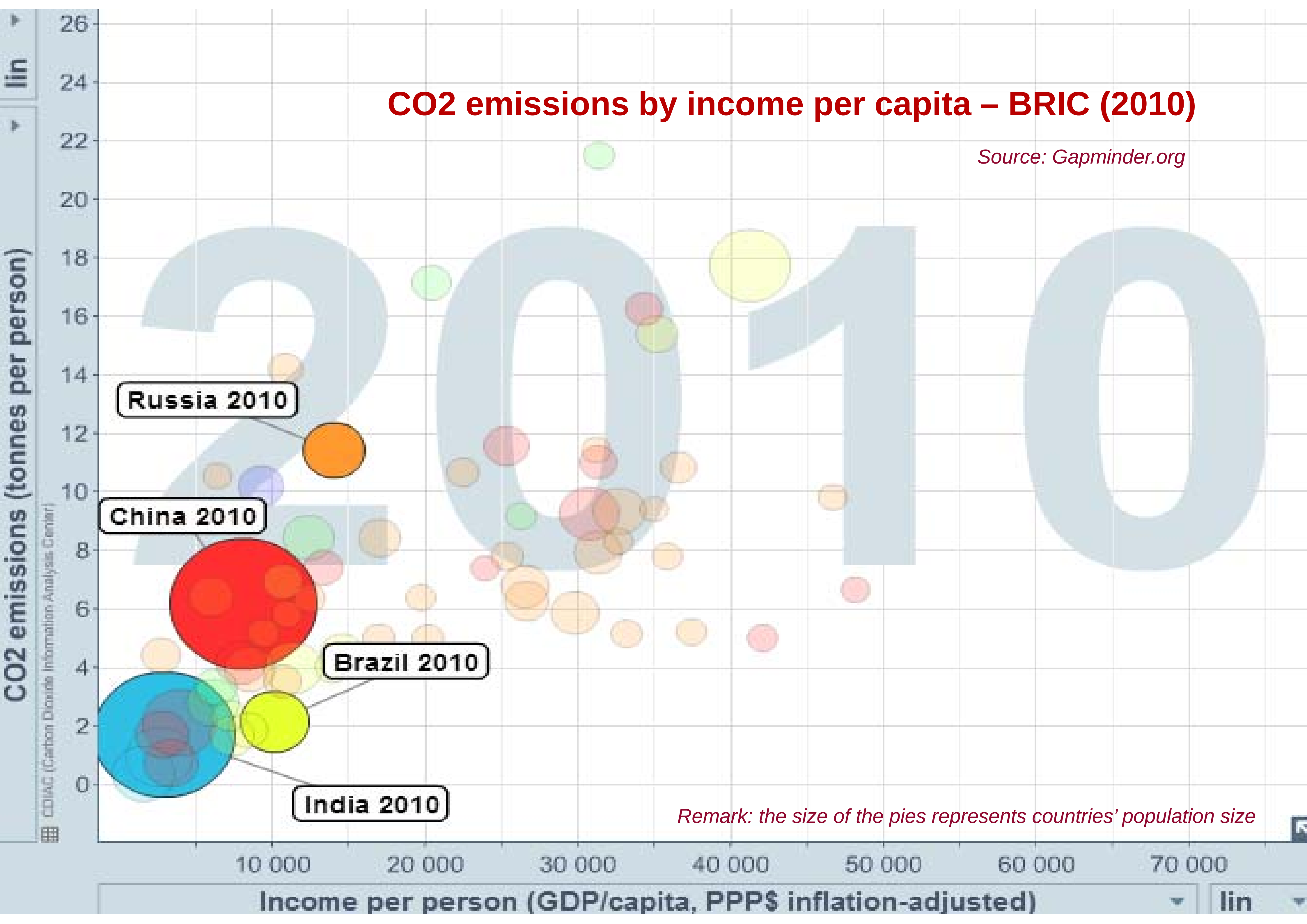
Our production and consumption models are inconsistent with a finite world (Grinde and Khare 2008). Such revelation, which now sounds ground-breaking, was actually foreseen long ago, at the beginning of industrial revolution.

Economists such as Ricardus, Maltus, Stuart Mill and Smith early expressed (XIX century) concerns about the feasibility of a growth without boundaries:

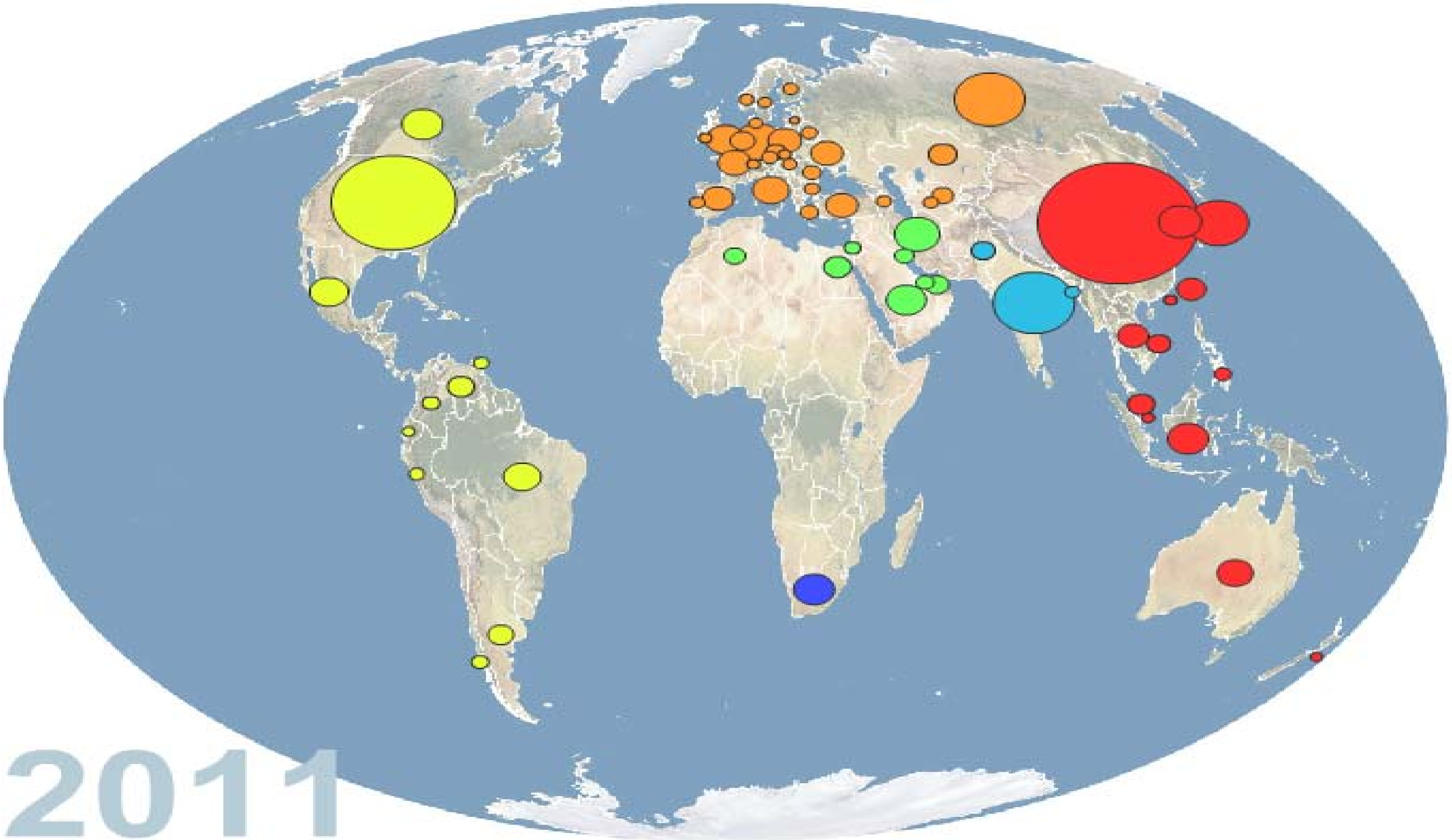
- **Raw materials (iron, wood, etc.) and lands are not infinite in stocks**
- **Population will grow as per-capita wealth increases**
- **Fossil fuels (oil. Carbon, etc) are not renawable**
- **Returns from resources are decreasing**


CO2 emissions by income per capita – Global (2010)
Source: Gapminder.org
2010
CO2 emissions (tonnes per person)
CDIAC (Carbon Dioxide Information Analysis Center)
lin
26
24
22
20
18
16
14
12
10
8
6
4
2
0
10 000
20 000
30 000
40 000
50 000
60 000
70 000
Income per person (GDP/capita, PPP$ inflation-adjusted)
lin
Remark: the size of the pies represents countries' population size


CO2 emissions by income per capita – G8 (2010)
Source: Gapminder.org
United States 2010
Canada 2010
Russia 2010
Germany 2010
Japan 2010
United Kingdom 2010
Italy 2010
France 2010
Remark: the size of the pies represents countries' population size
CO2 emissions (tonnes per person)
CDIAC (Carbon Dioxide Information Analysis Center)
Income per person (GDP/capita, PPP$ inflation-adjusted)
lin
lin
0
2
4
6
8
10
12
14
16
18
20
22
24
26
10 000
20 000
30 000
40 000
50 000
60 000
70 000
2010


CO2 emissions by income per capita – BRIC (2010)
Source: Gapminder.org
2010
Russia 2010
China 2010
Brazil 2010
India 2010
Remark: the size of the pies represents countries' population size
CO2 emissions (tonnes per person)
CDIAC (Carbon Dioxide Information Analysis Center)
lin
26
24
22
20
18
16
14
12
10
8
6
4
2
0
10 000
20 000
30 000
40 000
50 000
60 000
70 000
Income per person (GDP/capita, PPP$ inflation-adjusted)
lin

CO2 emissions: geographical distribution (2011)



Stockholder theory (Friedman, 1962)

- For Friedman the government of a liberal society should enforce law and order and property rights, as well as take action on certain technical monopolies
- Economic freedom is a precondition for political freedom: with the means for production under the auspices of the government, it is nearly impossible for real dissent and exchange of ideas to exist
- "There is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."
- The doctrine of "social responsibility", that corporations should care about the community and not just profit, is highly subversive to the capitalist system and can only lead towards totalitarianism
- In a capitalist society it costs money to discriminate. However, the government should not make fair employment practices laws, as these inhibit the freedom to employ someone based on whatever qualifications the employer wishes to use. For the same reason, right-to-work laws should be abolished.
- Many social welfare measures don't help the poor much; poverty should be alleviated by giving everyone a guaranteed minimum income

Defining Sustainability

The World Commission on Environment and Development: Our Common Future (AKA: The Bruntland Report, 1987):

«Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs:

- **the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and**
- **the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.»**

Defining Sustainability 2

“What is Meant by Sustainability?” (Basiago, 1995):

“a new philosophy, in which principles of futurity, equity, global environmentalism and biodiversity must guide decision making”; “it assumes particular meanings in different disciplinary settings”:

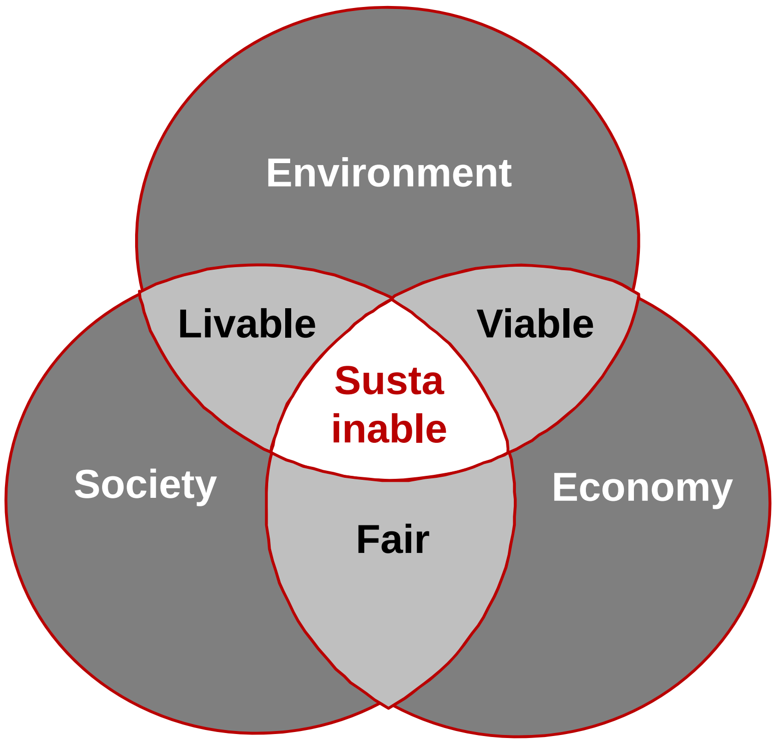
- **In biology: associated with the protection of biodiversity.**
- **In economics: accounting for natural resources (market fails to protect the environment)**
- **In sociology: environmental justice in situations where some groups make decisions over the use of natural resources and other groups are affected in their daily lives**
- **In planning: integration of urbanisation and nature preservation.**
- **In environmental ethics: preservation, conservation or ‘sustainable use’ of natural resources.**

The triple bottom-line

- **At an operative level, sustainability is about pursuing an adequate performance in terms of**
  - social welfare (S)
  - economic development (E)
  - environmental protection (G)

- **It is also about using resources at a rate of consumption equal or inferior to their rate of regeneration or production**

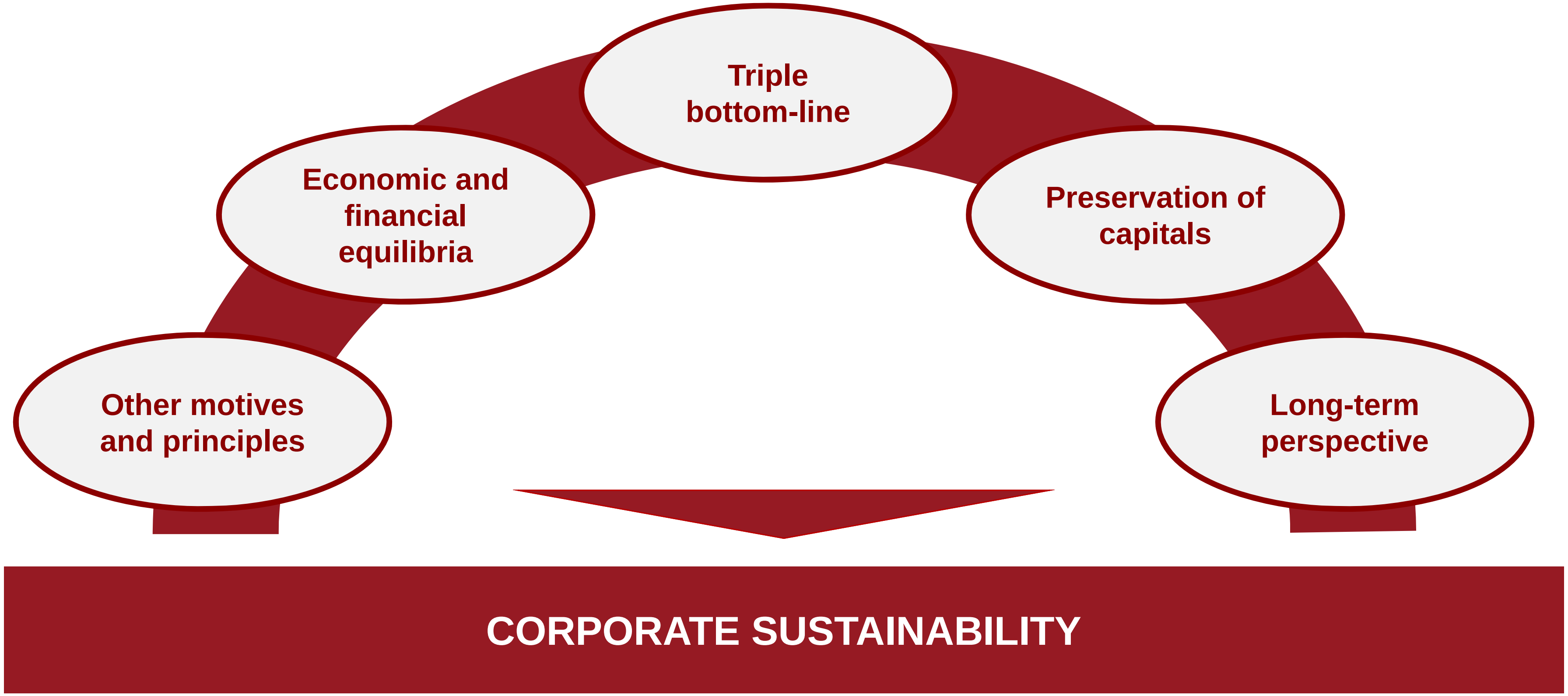
- **Practical issues:**
  - to define “adequate performance” (principles)
  - to identify relationships (analysis)
  - to define strategy (policy)
  - to implement actions (management)



IIRC’s six kinds of capital

- **Companies are not self-sustaining but they create and preserve value through six interdependent capitals: natural, financial, human, intellectual, manufactured and social.**
- **Nowadays there is more awareness than ever of the scarcity of these capitals that make up the resources and relationships that determine a company’s value**
- **Because the market is not pricing all capitals accurately, the risk to the business is that it may be using resources to create short-term financial returns that are unsustainable in the medium and long term. Taken together with rapid population growth, this represents a significant risk to society and economic stability. An additional risk arises due to the interdependence of the different ‘capitals’ : a company that is not managing effectively its natural capital may also be jeopardising other value drivers such as social or human capital.**
- **Integrated reporting (IR) provides visibility to investors and other stakeholders into how the business is creating and preserving value in the short, medium and long term. It is currently being developed by the International Integrated Reporting Council (IIRC)), which will set out the financial and nonfinancial principles which companies will use to do their integrated reporting. Global acceptance of the Framework will also enable comparability across markets**

Elements of corporate sustainability management



Sustainability as responsibility

The paradigm of sustainability is not revolutionary as it does not shatter tradition (kuhn 1969): it is a concept very close to that of responsibility, the same kind of responsibility which we learnt has to come with freedom.

We took the liberty of growing indiscriminately because it is in our nature to do so and because we believe it is our natural right to pursue our development.

If we agree that our rights have to end in front of those of others, then sustainability just means that we understand that our actions can affect the freedom of other people in ways that once were not conceivable.

So the quest for sustainability means reducing our freedom and our rights, as it implies the acknowledgement of a quantity of interconnections and interdependencies, not only across space (i.e. across populations) but also across time (i.e. across generations). It is also to remark that acting responsibly towards foreign population is much easier than doing it towards future generations because the latters have no defense. Future generations are the weakest of all because they cannot defend themselves yet.

Misinformation and misconceptions

For most companies, understanding how to make their businesses more sustainable is a challenge, particularly identifying and prioritizing issues, developing strategies and policies and measuring performance (Bonn & Fisher, 2008)

Myths about sustainability (Lemonick, 2009)

- Nobody knows what sustainability really means
- Sustainability is all about the environment
- Sustainability is all about recycling
- Sustainability means lowering our standards of living
- Consumer choices and grassroots activism, not government intervention, offer the fastest, most efficient routes to sustainability
- New technology is always the answer
- Sustainability is ultimately a “too many people” problem
- Once you understand the concept, living sustainably is easy to figure out

Creating Shared Value (Porter and Kramer 2011)

Shared value is: "policies and operating practices that enhance the competitiveness of a firm while simultaneously advancing the economic and social conditions of the communities in which they operate". SV focuses on identifying and expanding the connections between societal and economic progress.

Business is seen as cause of social and environmental problems; companies are perceived to be prospering at the expenses of society. The more firms boost CSR, the more they are blamed for society's failures.

Regulations addressing social issues by constraining business practices institutionalized a tradeoff between economic efficiency and social progress. But SV is a chance to legitimize business.

Creating Shared Value (Porter and Kramer 2011) 2

CSR	CSV
Values: doing good	Value: economic and societal benefits relative to costs
Citizenship, philantropy, sustainability	Joint company and community value creation
Discretionary or in response to stakeholders' pressure	Integral to competing
Separate from profit maximization	Integral to profit maximization
Agenda is determined by external reporting and personal preferences	Agenda is company speci and internally generated
Impact limited by corporate footprint and CSR budget	Re-aligns the entire company budget
Example: Fair trade purchasing	Example: Transforming procurement to increase quality and yield

Creating Shared Value (Porter and Kramer 2011) 3

Companies are guilty of pursuing short term financial performance: Capitalism has the potential to meet human needs, improving efficiency, creating jobs, making investments, paying taxes and building wealth but it is interpreted narrowly as societal issues do not concern it (M. Friedman). SV is about expanding the boundaries of capitalism

Even when adopting CSR, societal matters are periphal and instrumental: addressing them is a response to regulations and to stakeholders' pressure. Investing in CSR more than the minimum required by stakeholders' pressure is conceived as a waste of shareholder money.

The competitiveness of a company is intertwined with the health of the communities around it. On the one hand, Communities needs businesses to provide jobs and wealth (so Regulation constraining businesses damages its communities). On the other hand companies can satisfy workers and communities' needs and can help supporting businesses.

Creating Shared Value (Porter and Kramer 2011) 4

3 ways to create shared value:

- By reconceiving products and markets. In advanced economies demands for products addressing societal needs is increasing (e.g. from tasty or big-sized foods to healthy and nutritious foods). Also disadvantaged communities and developing countries are a great potential market for "societal" products (bottom of the pyramid arguments).
- By redefining productivity in the value chain. Societal issues (equality, health, safety, working conditions, use of resources) affect the value chain. What once were mere externalities now have internal cost repercussions even in the absence of taxes or regulation because of stakeholder's pressure (reputational costs of pollution) and of changes in economic settings (increased cost of logistics).
- By enabling local cluster development. The success of a firm depends on supporting firms and infrastructure: value is jointly created. Productivity innovation are and competitiveness are strongly influenced by clusters (related businesses, suppliers, service providers, logistic infrastructure, institutions, academic programs, trade association). Deficiencies in the cluster have internal costs for firms. Investing in the cluster creates SV and a firm has a multiplier effect.

Some emerging types of companies

- B Corporation
- Hub
- Homefood

And now ….. Time to drive the change

Curiosi:

create a proposal to improve and develop tourism industry in FVG, starting from the suggestions received today