

# *ACHIEVING SUSTAINABLE DEVELOPMENT: AN INTEGRAL APPROACH TO AN ECONOMIC PERSPECTIVE*

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# Debate Regarding Sustainable Economic Growth

- **Mainstream Economics searches for effective paths of sustainable development:**
  - ✓ **Technical solutions are insufficient, need institutions.**
  - ✓ **Necessary to develop/maintain these institutions.**
  
- **A revaluation of aspects not included in conventional economic analysis.**
  - ✓ **Need of new measurements: “GDP and Beyond Initiative”**
  - ✓ **Definition of ‘advances in society’:**
    - **Progress in key economic indicators.**
    - **Progress in quality of life: HDR**
    - **Development in people’s potential: MDG**

# Sustainable Development

- *More than economic processes* – it engages social and political processes.
- *Interaction between these processes reinforce each other in ways that worsen or facilitate* achieving sustainable development.
- *Requires a better understanding* of the socio-economic dynamics underpinning these processes.
- At the *center of these dynamics is the human person*, who originates and is served by the economic activity.
- A *fact of experience is that human beings exists, lives, and acts together with others.*
- They *way in which they interact, helps or jeopardizes sustainable development.*

# Integral Sustainable Economic Development

- An *approach to economic activity that seeks to strengthen civil and social institutions required for sustainable economic development.*
- This *necessitates of an integrated view of the person in society and the economy*, mutual influence.
- It focuses on the *economic agent's decision process* acknowledging him in his integral dimension and in his social dimension – *interpersonal activity*.



*Empirical Evidence in  
Support of Integral  
Sustainable  
Development*



# **Sustainable Economic Development Requires:**

- ✓ Institutions – social capital**
- ✓ Moral capital**
- ✓ Savings**
- ✓ Wealth**
- ✓ Investment: Physical and Human Capital**
- ✓ Good Policies**
- ✓ Remittances?**

# We know from empirical evidence that in economic development...

There is a *positive correlation* between

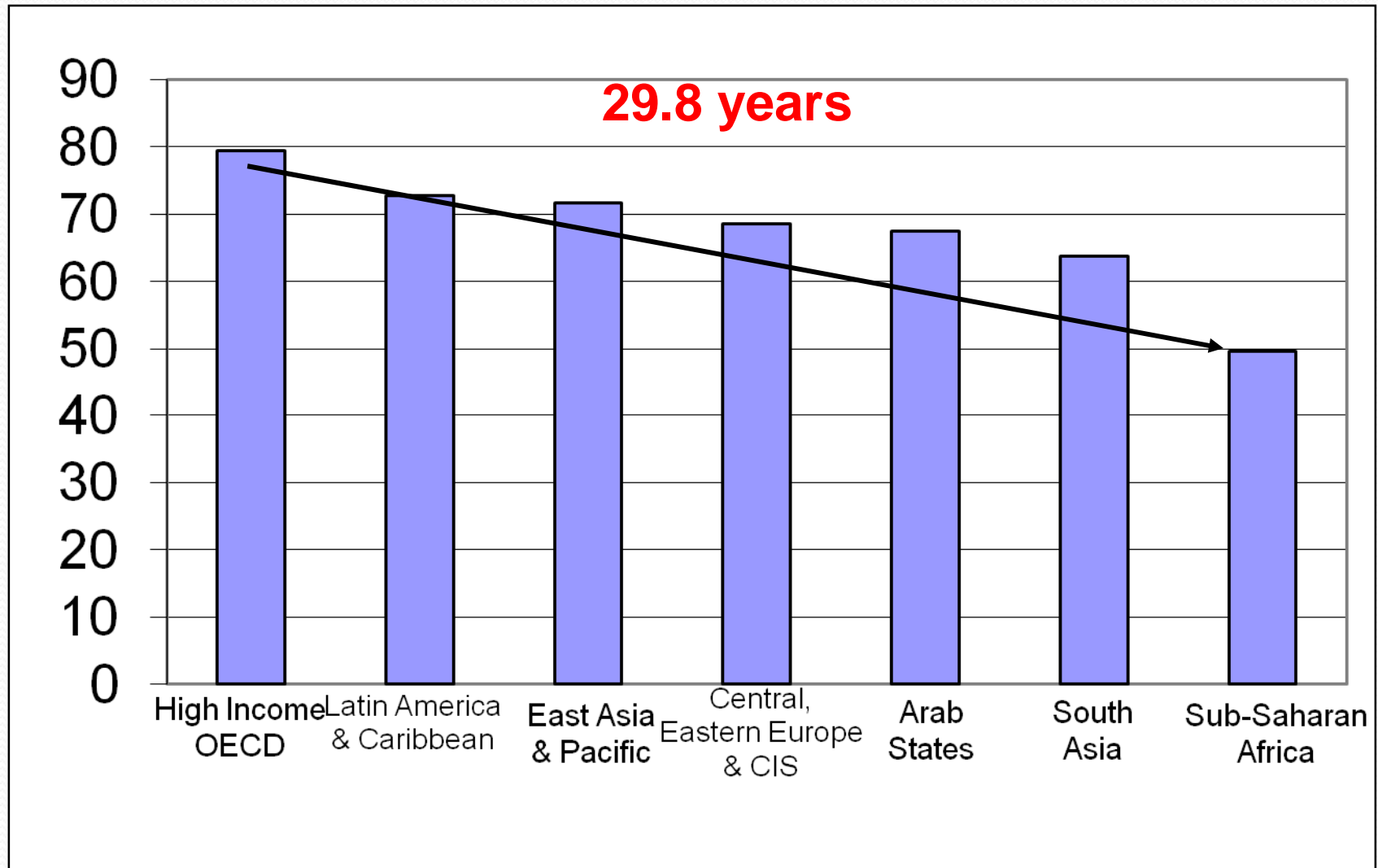
- *Human capital, infrastructure and economic growth*
- *Healthy institutions and economic development*
- *Health and income per capita*

These positive correlations reflect an *essential casual link* running from human capital to

- *Healthy institutions (social capital)*
- *Infrastructure and technology*

*Life expectancy is a significant predictor* of economic growth

# Life Expectancy by Region



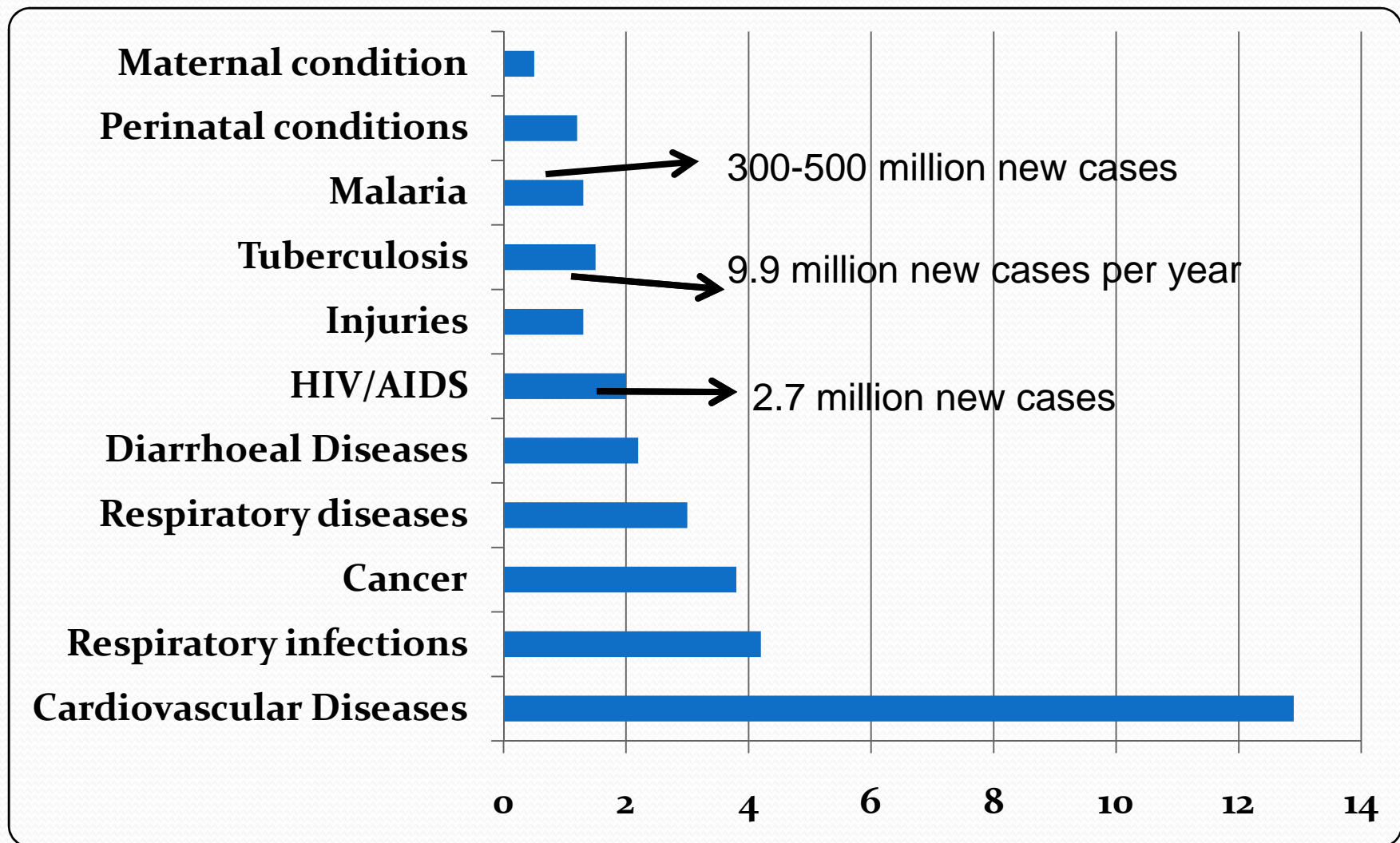
Source: *Human Development Report*, 2007/2008, Table 1

# Environmental, Welfare and Health Conditions: Low vs. High Income Countries

Indicator	% Access
House Connection: water	48/ 99
House Connection: sewerage	46/ 99
House Connection: electricity (rural-urban)	50-62 / 100
Water Consumption (liters per person)	259 / 600
Access to Improve water (rural-urban)	63-92 / 100
Solid waste disposal: landfill or incinerated or dump, recycled, etc.(rural-urban)	31-66/100
Access to Affordable Essential Drugs (rural-urban)	43/ 100
Immunization	66/100
Infant mortality (per 1000)	153/6
Life Expectancy	55/85
Public Expenditures on Health (%GDP)	1.3 / 6.2
Paved Road	19/94
Phone lines(per 1000)	9.58/597
Cellular phone subscriptions (per 1000)	55.25/ 605
Literacy	52.6/100

Source: Human Development Report, 2008 and Millennium Development Goal Indicators, 2009.

# Causes of Death Among Men and Women

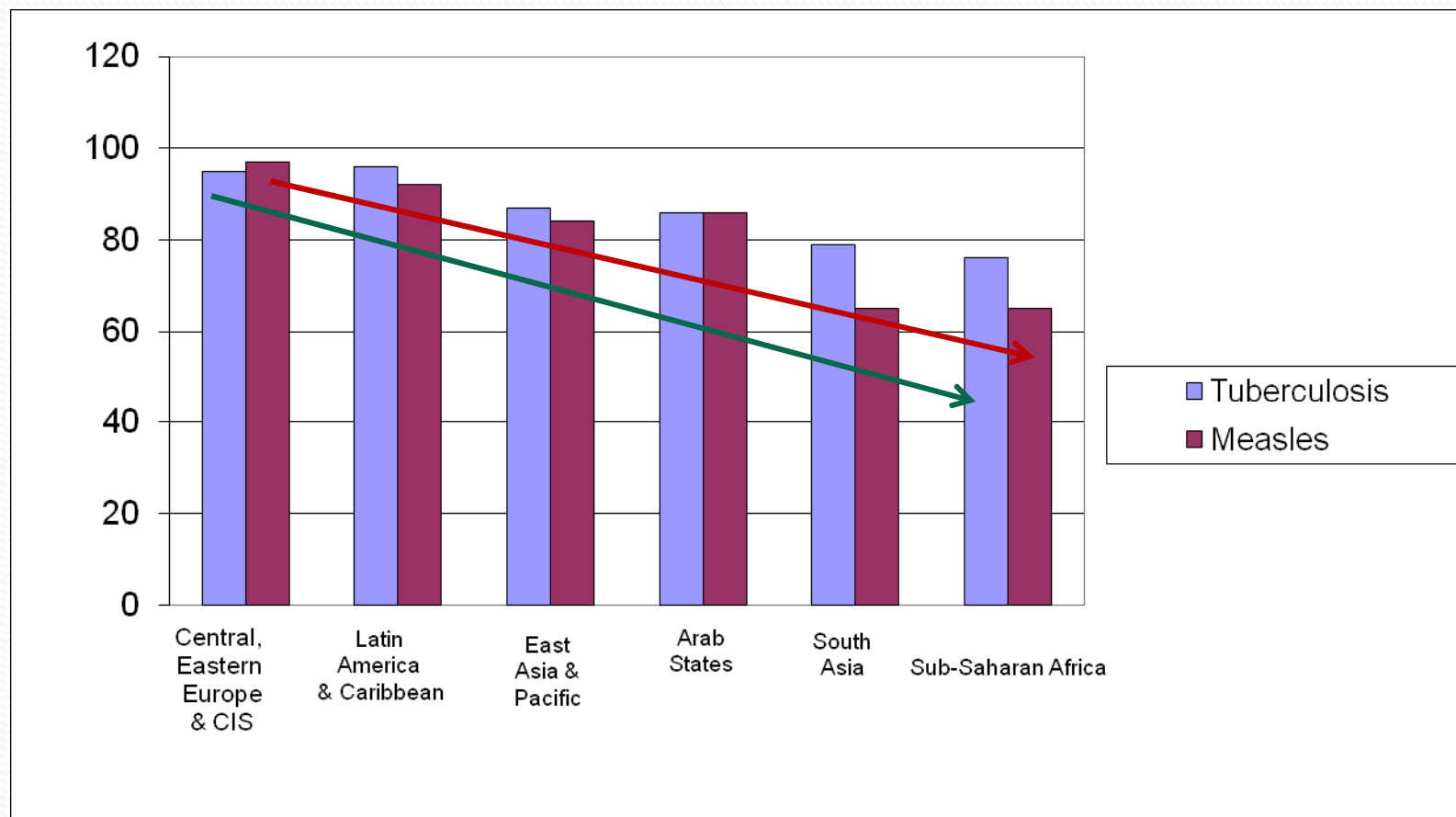


Sources: World Health Organization, *World Health Statistics, 2009. Table 6*

# The Cost in Relation to Income and Productivity

- Cost of *malaria to African countries is 1.3% of GDP per year, productivity of the workers is reduced by 60%*. Direct and indirect costs of malaria in sub-Saharan Africa in term of overall GDP is equivalent to a loss of \$100 billion annually.
- The *funding for Malaria has increased for 2009 is \$1.4 billion*. As a consequence there has been a reduction of more than 50% of cases.
- *75% of TB infections and deaths occur in the 15-54 year age group* (most productive group). *20%-30% of income is lost* due to TB.
- Funding for *TB 2010 is \$4.2 billion*.
- *AIDS places sixth* among the leading causes of death. Funding 2009-2010 is *\$9.5 billion*.
- Majority of maternal deaths are due to poor access to health care (1.9% of female death).

## Percent of Fully Immunized One-Year-Olds by Region, 2008



**20% decrease in Tuberculosis Immunizations**  
**33% decrease in Measles Immunizations**

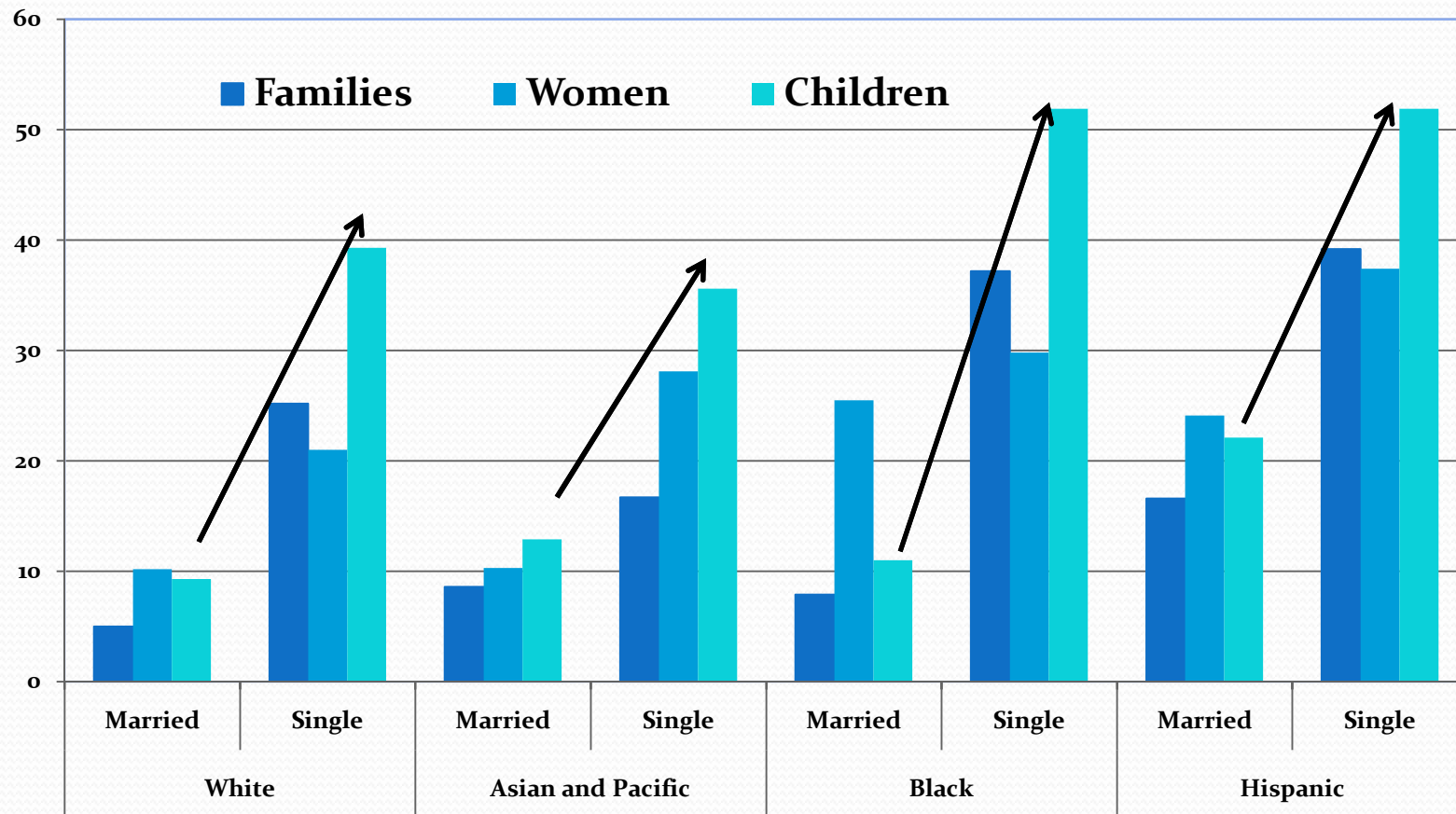
Source: *Immunization Summary*, WHO, 2009, Map 1

# Socioeconomic Relevance

## Structure of the family affects:

- **The academic and social performance** of a child
  - ✓ important for the ***quality of human and social capital***
- The **psychological stability and health** of a child
  - ✓ important for ***worker productivity and government finances***
- Healthy families **decreases the risk of abuse, violence, or neglect** in children and adults
  - ✓ important for ***social capital and government finances***
- Married women have **a lower rate of depression, enjoy higher income and lower living costs, and have higher savings and wealth**
  - ✓ important for ***human and social capital and government finances***

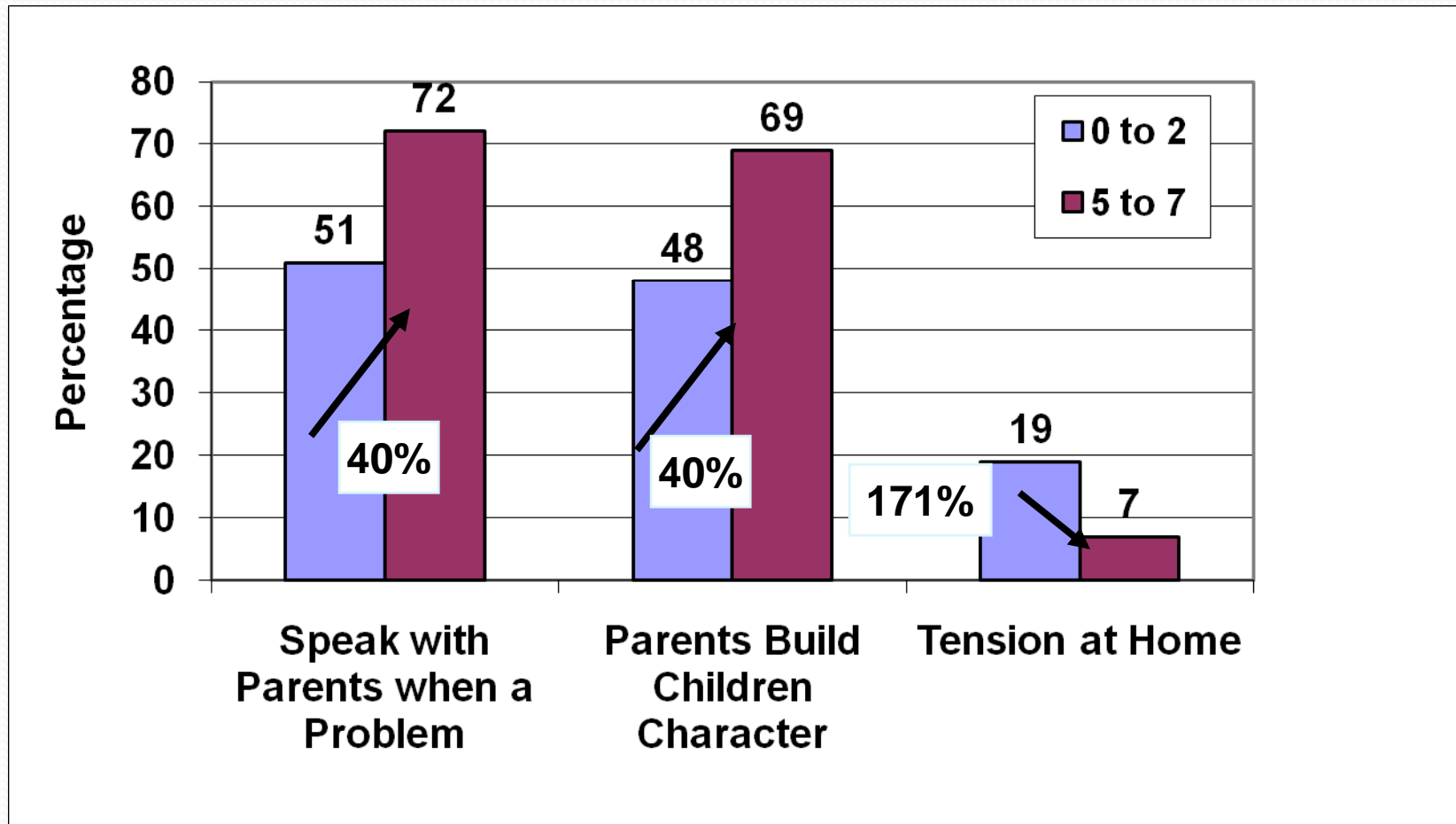
# Percentage of Families, Women and Children who are in poverty by Family Structure and Ethnicity, 2008



*Source: Annual Demographic Survey, Poverty in the U.S.: US Census Bureau, August 2009, Table POV21, POV03, POV04*

# Family Relationships and Its Relation to the Frequency of Family Dining

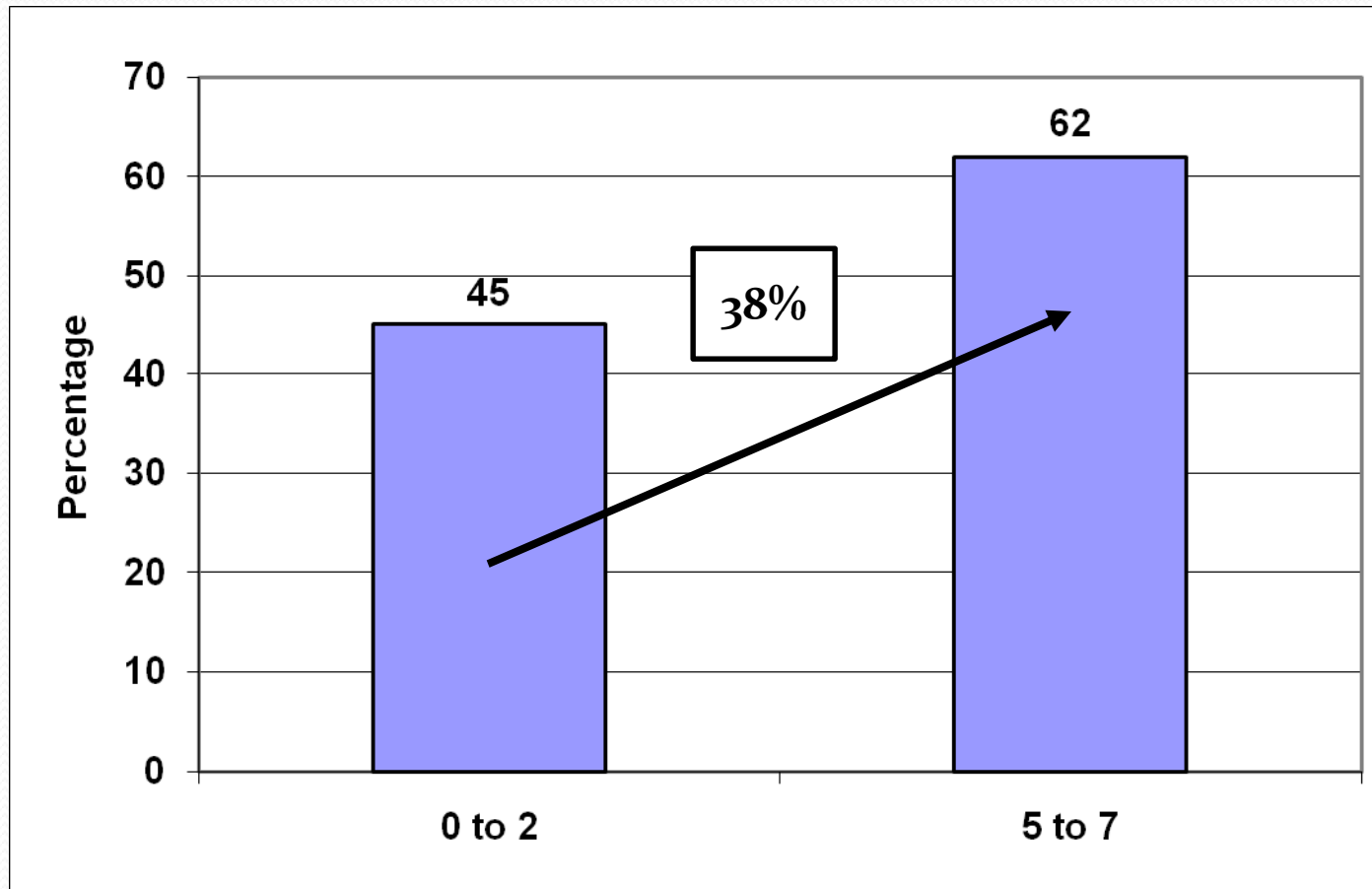
(% of Teens)



Source: National Center on Addiction and Substance Abuse, Columbia University.

# Academic Performance and Its Relation to the Frequency of Family Dining

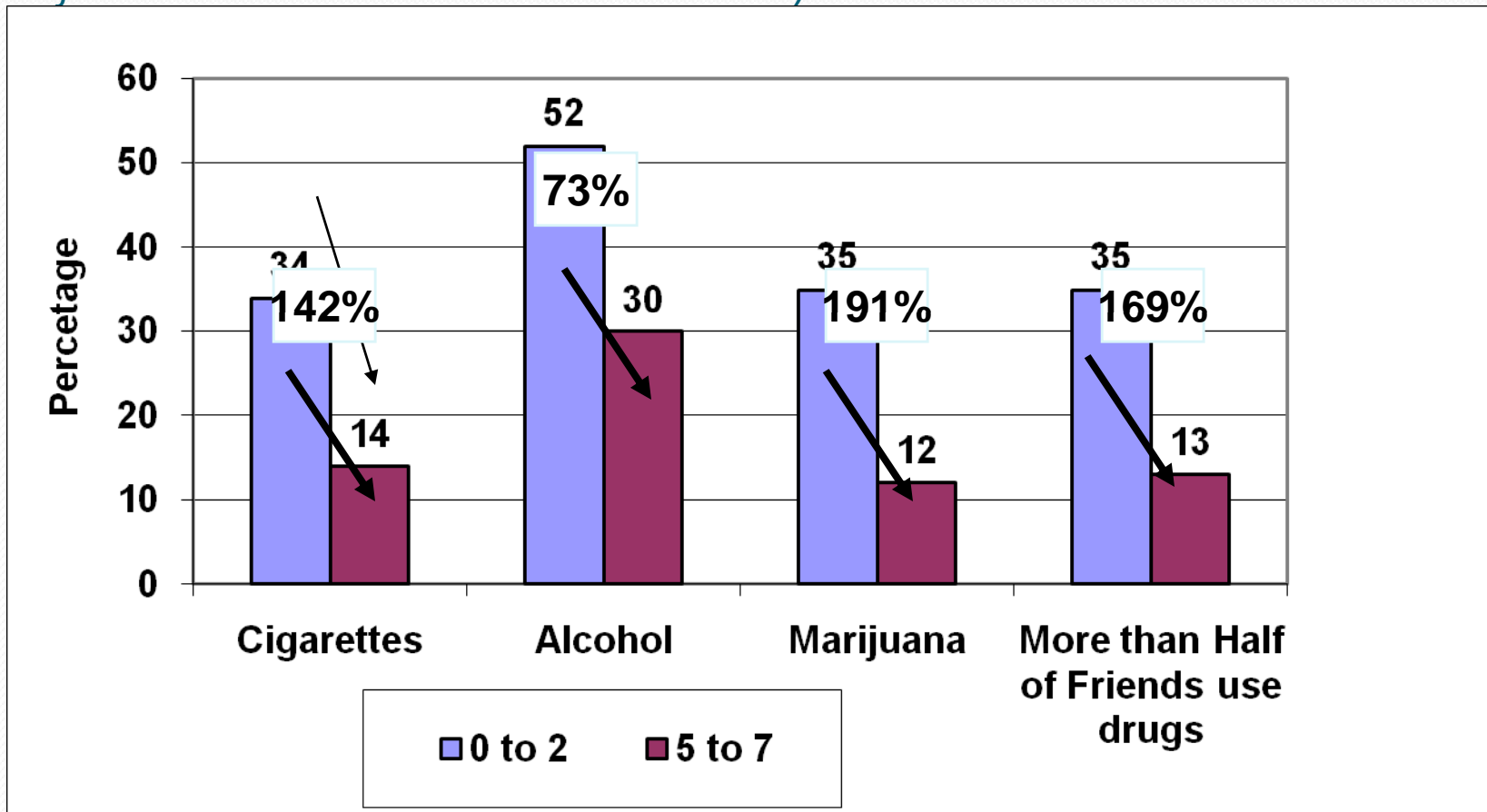
*(% of Teens Obtaining Mostly A or B Grades in School)*



Source: National Center on Addiction and Substance Abuse, Columbia University.

# Substance Abuse and Its Relation to the Frequency of Family Dining

(% of Teens Who Have Tried Abuse Substances)



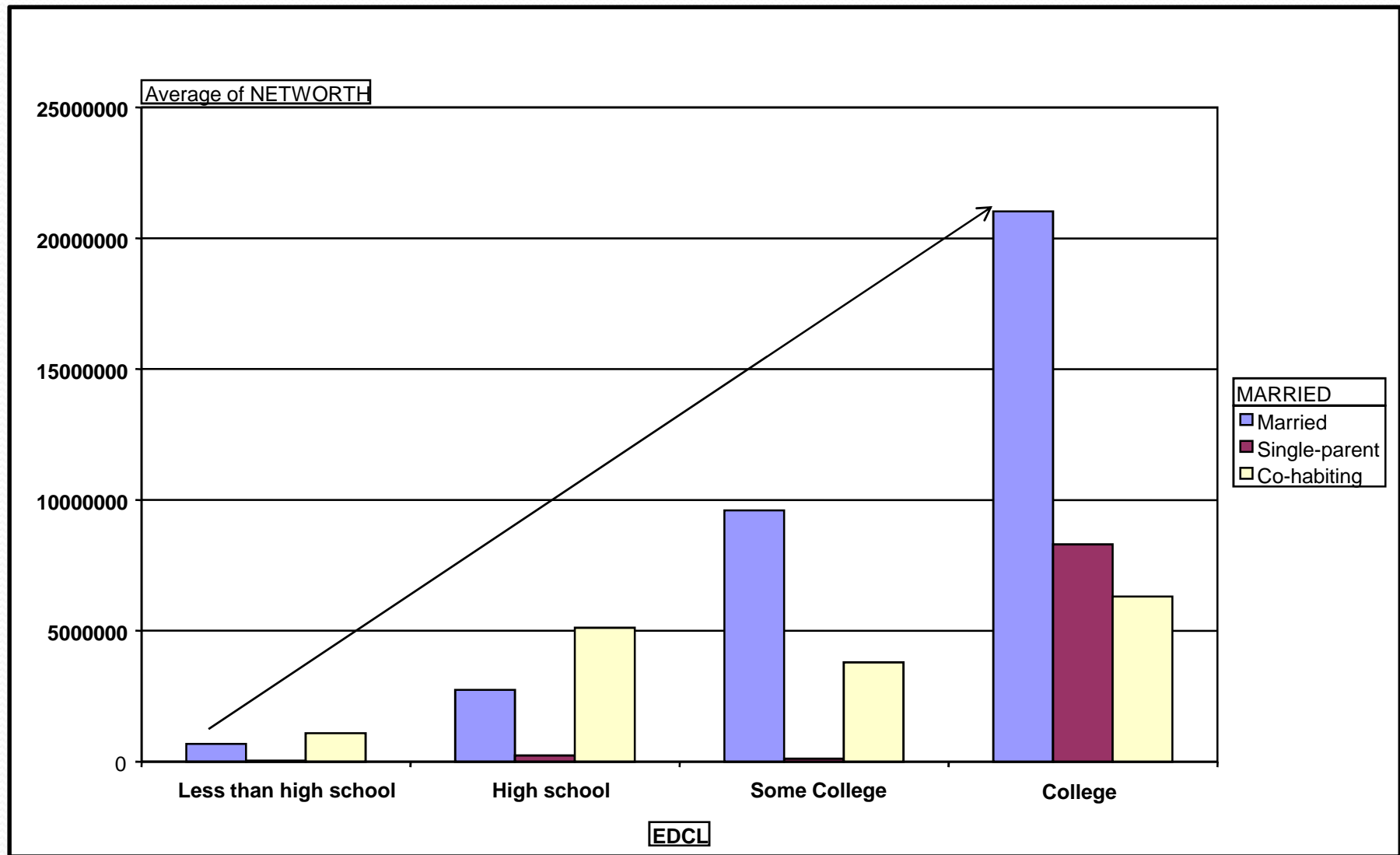
Source: National Center on Addiction and Substance Abuse, Columbia University.

# A Cross Country Comparison

- ▣ **USA:** *developed market economy*
- ▣ **Canada:** *developed social market economy*
- ▣ **Guatemala:** *60% of the population in poverty, average 3<sup>rd</sup> grade, proportionally it is the largest country receiving remittances.*
- ▣ **Chile:** *successful developing country*

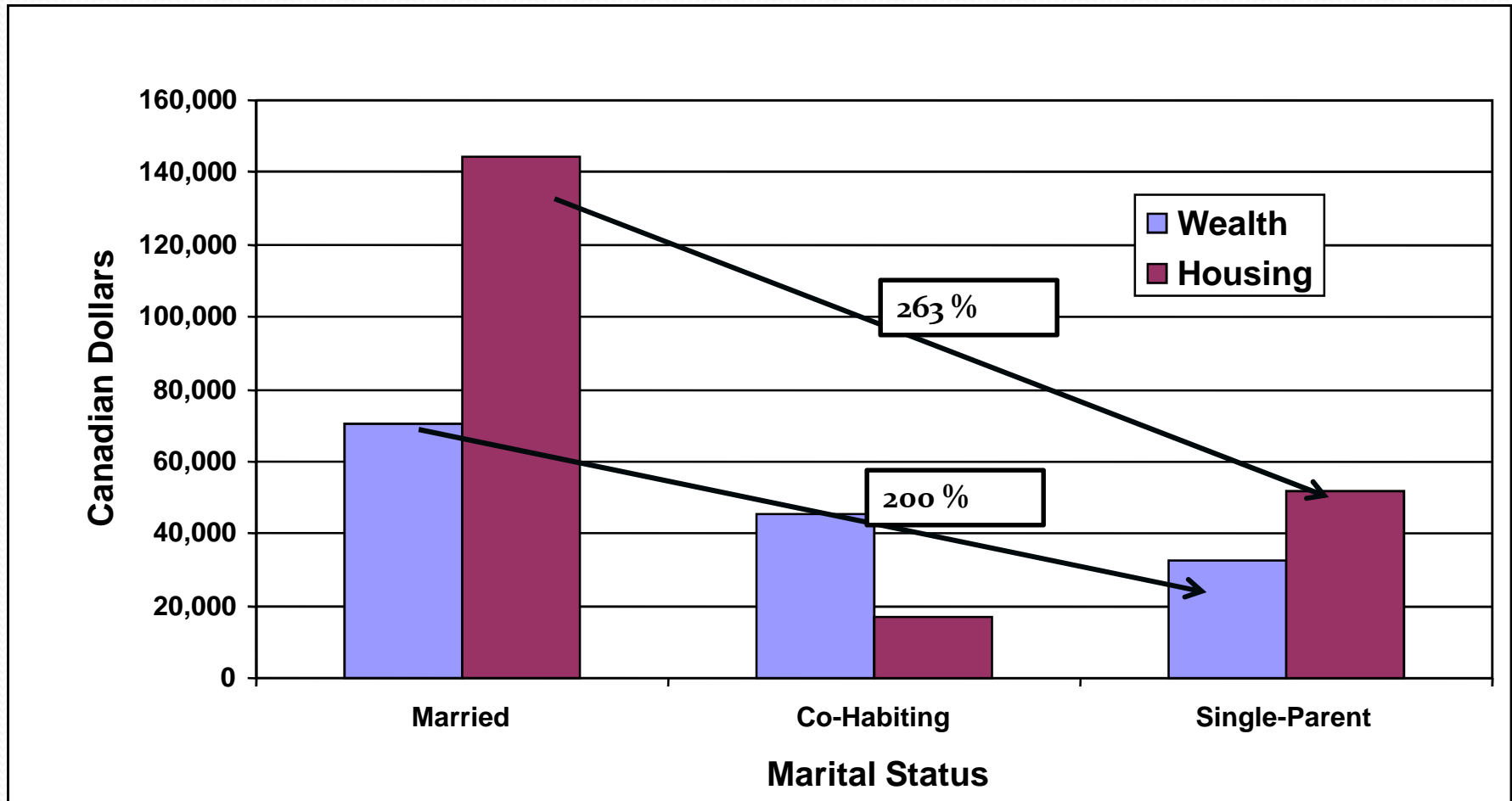
# Household Income Net Wealth Worth in USA

*by Education Level and Family Structure*



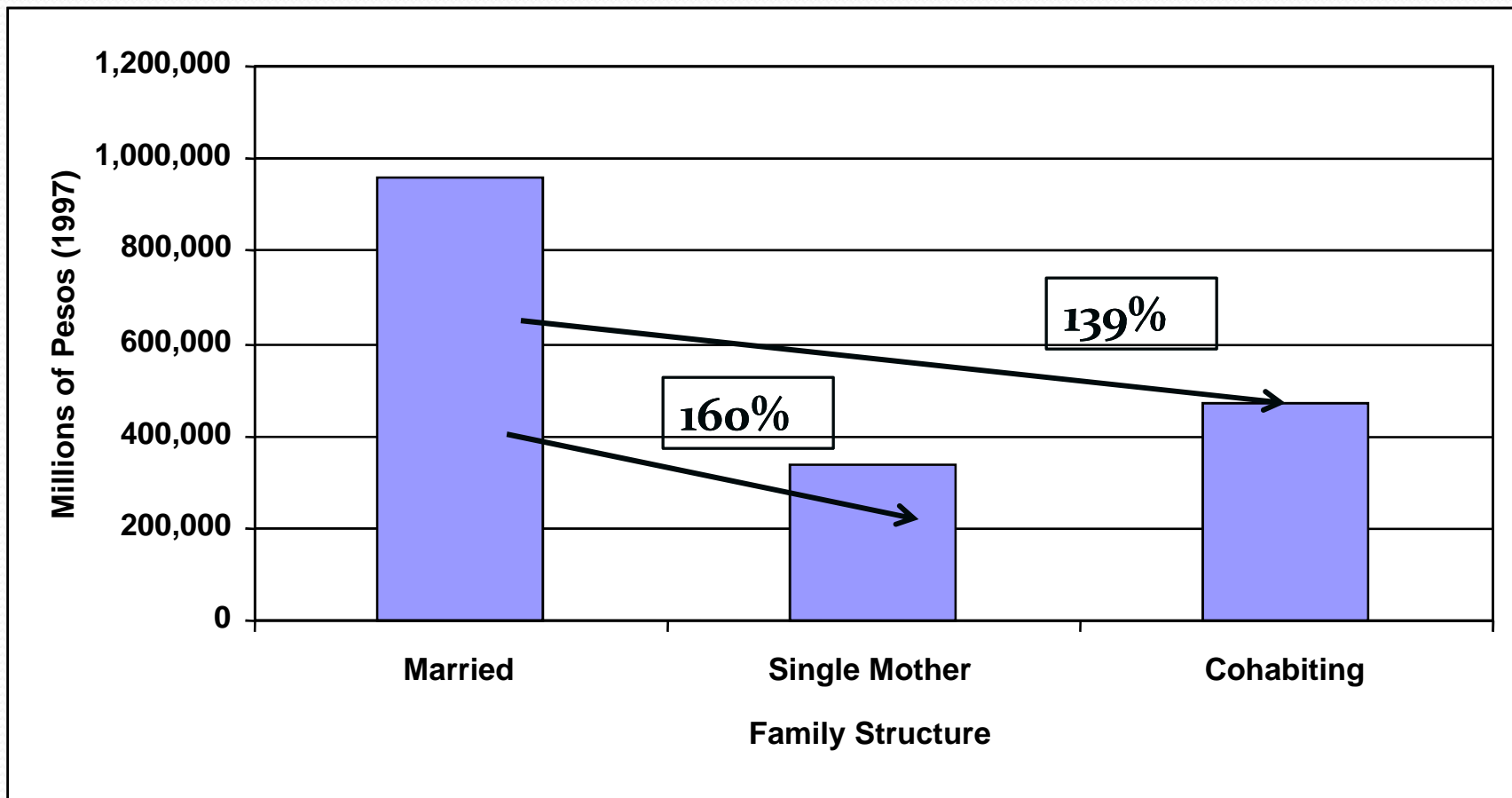
Sources: Aguirre (2008)

# Net Wealth by Family Structure: Canada



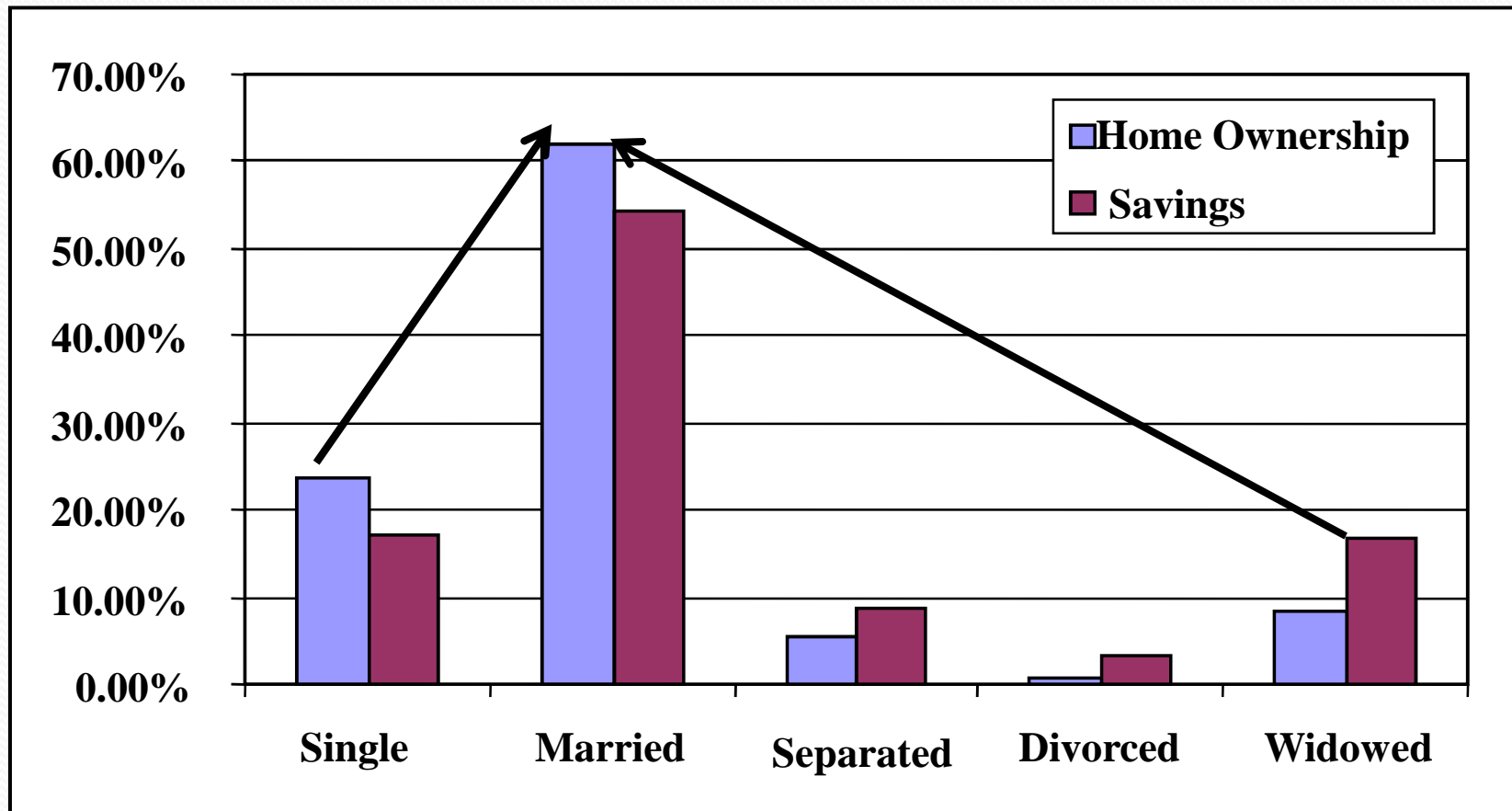
Sources: Aguirre (2008)

# Net Wealth by Family Structure: Chile



**Sources:** Aguirre (2008)

# Percentage of Households with Savings and Home Ownership: Guatemala



Source: ENEI (2004)



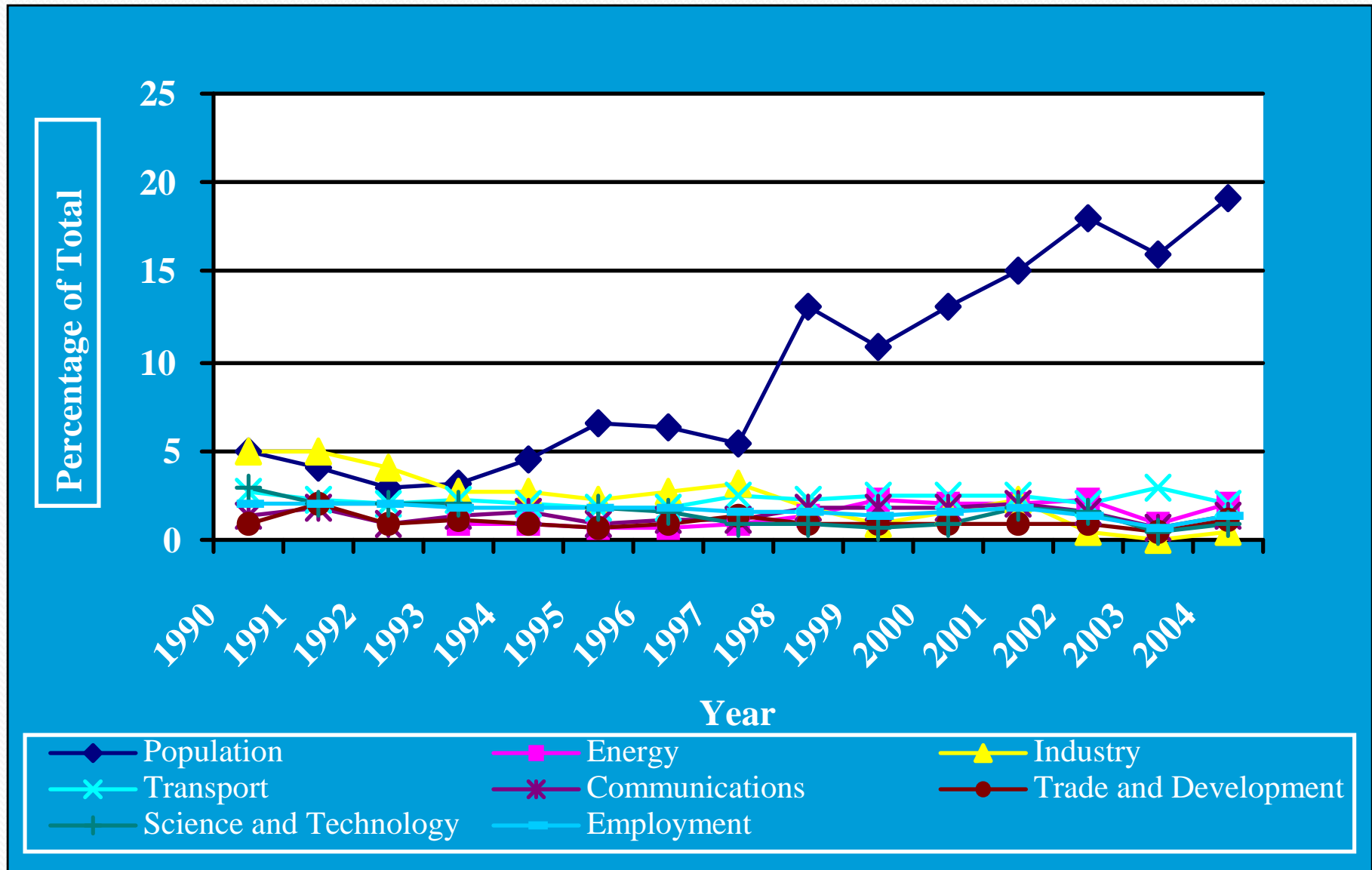
# Top Down Approach to Foreign Aid



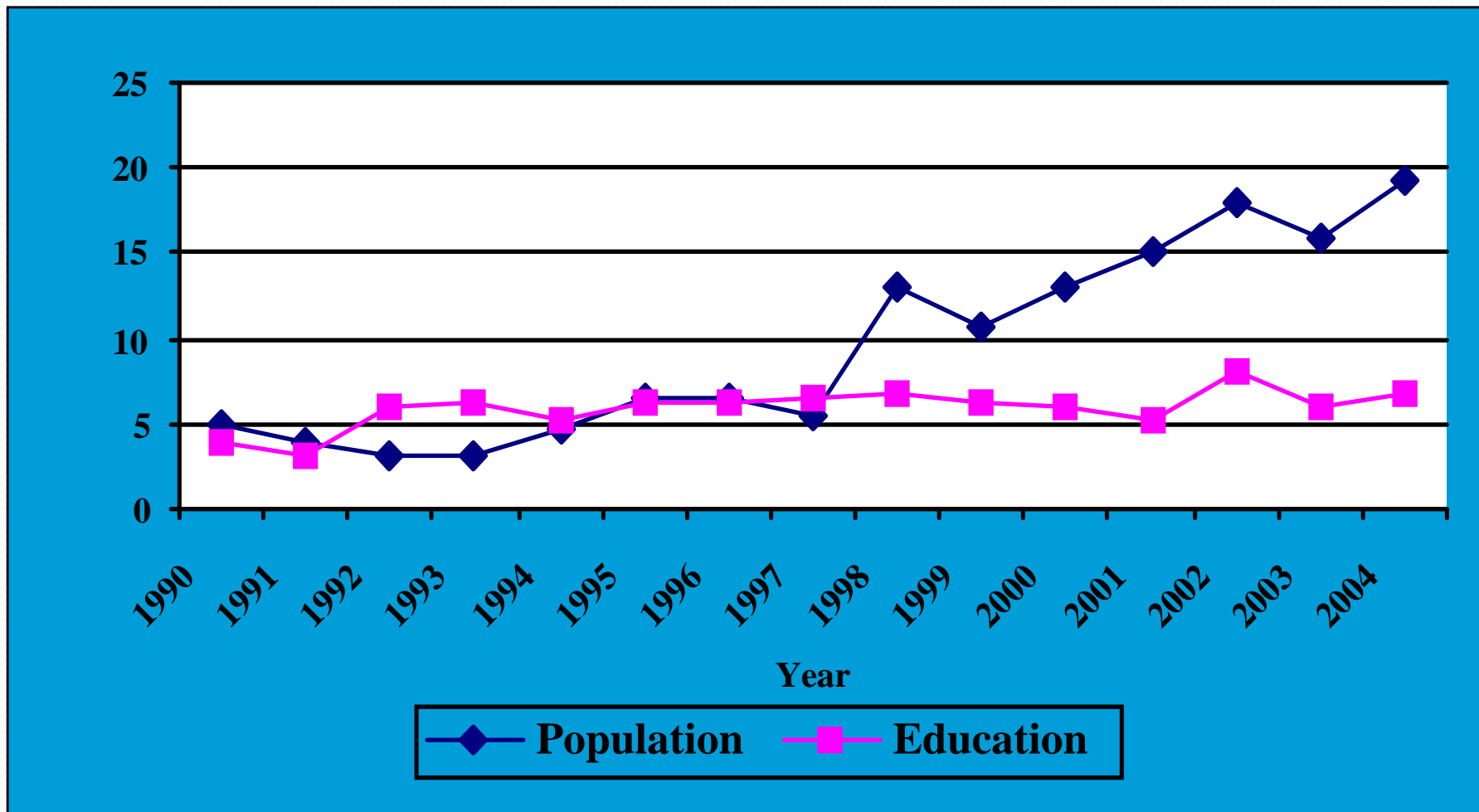
# Problems

- Plans are *decreed at the top*, they need to be implemented at the bottom.
  - Requires to give good incentives for aid agency officials and government civil servants to do the interventions right and get results for the poor.
- Administrators at the top often *do not have enough information about the realities at the bottom* to design the right interventions in the right place and at the right time.
  - Little or no feedback from the voiceless poor.
- Multiple goals and multiple agents *weaken incentives for agents to deliver* on goals.
  - Bad quality in service delivered, often tide to corruption.

# Expenditure on Grant-Financed Development Activities of the United Nations System by Sector (Percentage of Total)



# Expenditures on Grant-Financed Development Activities of the United Nations System by Sector



Source: Compiled from *Comprehensive Statistical Data on Operational Activities for Development*, years 1990-2006.

# Piecemeal Approach

Finds particular initiatives that have:

- a track record of effectiveness
- funds them
- promote their growth
- Study its mechanisms so to see possibilities of replication



## Some of these initiatives include:

- Subsidies to families for education
- Health inputs for their children
- Reducing class size
- Remedial teaching
- Uniforms and textbooks
- School vouchers
- Distribution of medicines and nutritional supplements
- Vaccination
- HIV prevention
- STD management
- On door spraying for Malaria
- Distribution of bednets
- Clean water initiatives.



*Recent Developments in  
Development Economic  
Research and Policy*

# New Research Approaches

- Hasumann, Rodrick and Velasco (2005)
  - Framework for diagnosis
- Deaton (2010b)
  - It is not enough to know *whether* a given approach works but the *why* it works is more relevant.
  - Investigates, tests, and modifies *mechanisms*
- Banerjee and Duflo (2009)
  - *Field experimentation*
- All approaches assume a selfish individual maximizer
  - It is a fact of experience that man exists, lives, and acts together with others, i.e. that he has a social nature

# Diagnostic approach and the Randomized approach

- Identifies variables that hamper economic development.
- Generates solutions to solve these problems.
- Finds ways to test the effects of the propose solution.

# How to identify and incorporate into economic theory an empirical analysis the interpersonal dimension of economic activity?

- Incorporate it in the economic decision process of the economic agent.
- Two proposals:
  - Mueller (2010)
  - Aguirre (2010)



# Aguirre (2010)

- Incorporates in the budget constrain an economy of scale feature which captures efficiency gains/losses as a consequence of the economic agent acting together with others and for/against others.
- Able to replicate the empirical evidence regarding the economic benefits of marriage and the negative effects of divorce.
- Provides theoretical framework to explain why family structure is a significant factor in determining wealth, savings, human and social capital across countries.

# Mueller (2010)

- Differentiates between the ranking of scarce goods as means – the utility function- and the ranking of persons as ends – a distribution function.
- People express their preferences for individuals through their allocation of resources, and for things through their preferences for goods.
- Preference for individuals determines distribution, here the interpersonal dimension of man is clearly manifested.
- Love, in material terms is described as a gift or voluntary transfer payment not made in compensation for useful services rendered.

# Concluding Remarks

- ✓ Diagnostic approach combine with field experimentation and efforts to understand the mechanisms of economic development have set a very fruitful agenda for research and policy implementation.
- ✓ It has also assisted in thinking “outside the box” when engaging in foreign financial aid.
- ✓ Through the exercise of field experimentation specific initiatives has been identified as effective to achieve economic development.

# Mentioned approaches are and advance but there are still incomplete

- They fail to capture the interpersonal dimension present in every economic activity.
- The integral approach to development proposed fills this gap.
- Family, as the most basic institution provides a good ground to begin developing this approach.
- ✓ The family is a necessary good for economic development and thus poverty eradication. It should be *promoted and protected if poverty reduction is to be achieved*.
- ✓ Family structure is *relevant for wealth*, investment, as well as human capital generation.