Financial markets and sustainable development

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Sustainable Development

- Intergenerational Equity
- Environmental Policy Integration
- Climate Protection
- Good Governance
- Ressource Efficiency
- Ecological Footprint
- Green Jobs
- Eco-Innovation
- Millennium Development Goals
The economic cycle
In times of economic downturn ...

neo-liberal policy trusts in the self stabilisation of the economy
In times of economic downturn...

but at what societal costs?
Anti-cyclical economic policy

keynesian policy tries to steer the economic cycle

spending taxes
Economic policies and actors …

legitimized by elections and transparency

Goods
Jobs
Taxes
Wellbeing
... of different size and power

stimulus packages 2 Trillion US$

World-GDP 50 Trillion US$

global fin. markets 800 Trillion US$
Banks and states

Equal the sum of the national GDPs of Spain, Portugal, Poland, Austria & Hungary together 115 million people assets for more than $2,844 billion (Forbes, 2012)
Effects of the financial crisis

General government gross debt (% of GDP, EU-27)

![Graph showing the general government gross debt over the years from 2000 to 2011. The debt percentage increases significantly after 2008.](image-url)
Attempts to regulate the finance sector

Transaction tax / Tobin Tax
Disclosure and transparency regulations
Regulate speculation (e.g. reduce high speed trading)
Fight tax havens and tax illegal earnings
Regulatory capital requirements (e.g. Basel-III)
Separate commercial banks from investment banks
Insolvency regulations (no „too big to fail“)
Bonuses regulation
Socially Responsible Investment

1,236 RI investment funds
→ 2.3% of total number of funds

EUR 129.49 billion
→ 1.6% of total assets under management
Socially Responsible Investment

e.g. renewable energy, clean tech., water

RI in AuMs
Total = EUR 129.5 billion

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG (cross-sectoral)</td>
<td>89.73</td>
</tr>
<tr>
<td>ESG (environment)</td>
<td>30.49</td>
</tr>
<tr>
<td>ESG (social)</td>
<td>6.71</td>
</tr>
<tr>
<td>Ethics (cross-sectoral)</td>
<td>2.55</td>
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</tbody>
</table>
Socially Responsible Investment

e.g. micro-finance
Socially Responsible Investment

Growth of Sustainability Themed Investments in Europe (€ mill)

On the rise again

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment (€ mill)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6,914</td>
</tr>
<tr>
<td>2007</td>
<td>26,468</td>
</tr>
<tr>
<td>2009</td>
<td>25,361</td>
</tr>
<tr>
<td>2011</td>
<td>48,090</td>
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</table>
# Main differences between SD and the financial markets

<table>
<thead>
<tr>
<th>Sustainable development</th>
<th>Financial markets</th>
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</thead>
<tbody>
<tr>
<td>Integrative and multi-dimensional goals</td>
<td>vs</td>
</tr>
<tr>
<td></td>
<td>One-dimensional logic (maximization of financial profits)</td>
</tr>
<tr>
<td>long-term or inter-generational time perspectives</td>
<td>vs</td>
</tr>
<tr>
<td></td>
<td>short-term financial returns</td>
</tr>
<tr>
<td>risk-averse, applying the precautionary principle</td>
<td>vs</td>
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<tr>
<td></td>
<td>risk-afine; higher risks leads to higher profits</td>
</tr>
<tr>
<td>Equal opportunities, access and intra-generational equity</td>
<td>vs</td>
</tr>
<tr>
<td></td>
<td>Little to no consideration of social effects</td>
</tr>
<tr>
<td>Inclusion and participation</td>
<td>vs</td>
</tr>
<tr>
<td></td>
<td>Highly complex; not inclusive, nor open to participation</td>
</tr>
<tr>
<td>Governance for SD</td>
<td>vs</td>
</tr>
<tr>
<td></td>
<td>Efficiency oriented; shortage of transparency and accountability</td>
</tr>
</tbody>
</table>
Objectives of this workshop

• scope the mechanisms and operational design of financial markets

• explore the functional and dysfunctional aspects from an SD perspective

• develop concrete fields of action for SD policy related to financing, financial markets and finance governance

• provide an orientation for SD policy-makers in the debate around the financial markets and future policy options
Thanks for your attention!

Please get in touch:

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