

Value in Sustainability

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Abstract: Is sustainability valuable? With increasing legal, regulatory, governance, corporate, and social attention to sustainability, the question arises if sustainability has economic value. This article covers the rising attention for sustainability and highlights economic potentials of long-term care. Recommendations on how to benefit from sustainability and future directions of sustainability economics are given.

Keywords: Diversity, Economic Growth, Market Transformation, Market Transition, Sustainability, Public Policy, Teaching

Introduction

In light of global environmental, social, and intergenerational challenges, an increasing importance of sustainability in economics, finance, and public policy has led to a re-evaluation of how long-term value is created and preserved in societies. A comprehensive and interdisciplinary exploration of sustainability value is nowadays focusing on intergenerational equity, climate justice, social responsibility and long-term economic viability. When examining the economic value of sustainability, particular emphasis is put on financial innovation, systemic risk mitigation and equitable wealth distribution.

This article covers the foundations of sustainability economics, which lie in resilience and systemic risk mitigation. Most recent legal compulsion, regulatory compliance, ethical and moral considerations will be discussed that are heightening attention to sustainability. Long-term thinking and financial planning but also the green multiplier will be given as examples of economic motives and profit-oriented rationale that demand for sustainability. Financial innovations of green finance and behavioral insights for sustainability are mentioned as driving implementation of sustainability. Intergenerational equity considerations foster sustainability in the public sphere to enable that the current generation picks up where the last left in enabling and flourishing a benevolent environment. The value of natural capital and social return on investment (SROI) are described as ways to measure the economic value of sustainability. The discussion features ways forward to sophisticate the idea of sustainability economics.

Foundations of Sustainability Economics

Sustainability refers to the ability of current generations to meet their needs without compromising the ability of future generations to meet theirs (Puaschunder, 2023). This principle is originally grounded in the Brundtland Commission's Report (1987). Sustainability in economics and finance has many facets ranging from social, governance and economic value to ensure resilience and justice in resource allocation. The concept of "Future Resilient Finance" proposes mechanisms that not only respond to market fluctuations but also actively promote long-term stability and fairness (Puaschunder, 2023).

Resilience

Motivating factors for sustainability usually stem from an innate preference for including environmental, social and governance motive in financial decision making. Value can be found in the stability of sustainable market options since people usually stay with their choice and refrain from sales despite market turbulence. So while oftentimes social funds and green finance

do not perform as strong as conventional financial options, during economic downturns green finance proves to be extraordinarily stable and resilient (Puaschunder, 2022).

Systemic risk mitigation

Climate change, global pandemics, financial instabilities but also political tensions all create substantial systemic risks. Environmental degradation and climate-related disasters can destabilize markets. Global outbreaks of health crises have decreased life expectancy and quality of life around the globe in most recent years. Financial instabilities have also led to liquidity constraints around the world, for instance, during the 2008/09 World Financial Recession. These days tariffs are disrupting supply chains and undermine asset values through inflation. Recognizing these risks, central banks and financial regulators have begun to integrate risk management and stress testing into standard financial market performance analyses.

Mitigating such risks through sustainable finance practices not only protects the financial system but also ensures long-term economic growth. An essential economic justification for sustainability thereby lies in the precautionary principle. Because the long-term impacts of environmental, social and financial system failure harm are uncertain and potentially catastrophic, it is economically prudent to act conservatively and invest in sustainable infrastructure, renewable energy, and adaptive technologies now, even at higher upfront costs (Puaschunder, 2023). Integrating social, environmental and governance aspects into the corporate world thereby also has become a major governance and government concern. For instance, the Global Green New Deal but also the U.S. Green New Deal and the European Green Deal are examples of governance efforts to enact sustainability on a larger scale. The United Nations Sustainable Development Goals (SDGs) highlight the economic value of sustainability through international policy coordination, cross-pollination and direct aid. As a concrete and targeted sustainability effort, the United Nations Conferences of the Parties on Climate Change (UNFCCC) Puaschunder discuss climate finance initiatives such as the Green Climate Fund and the role of international organizations in aligning development goals with sustainability principles. Equitable financing mechanisms help ensure that developing nations can pursue green growth without sacrificing their economic aspirations (Puaschunder, 2023).

Governments play a crucial role in guiding economies toward sustainable outcomes through taxes, subsidies, and regulations. Carbon pricing, green tax credits, and public investment in clean energy create the economic conditions necessary for sustainability to thrive. Tax systems but also bonds can help internalize environmental externalities and reward sustainable behaviors also inbetween overlapping generations (Puaschunder, 2023).

Legal compulsion, regulatory compliance, ethical and moral considerations

Pro-active engagement in environment, social and governance helps avoid liabilities of lawsuits down the road. Attention to social responsibility also aids in navigating regulatory compliance foresighted. Being ahead of the curve also indicates corporations as first movers, which can be an advantage to signal innovation. But also, caution is warranted in changing legislations or a fast-paced regulatory climate.

Sustainability also can imbue ethical and moral considerations, such as – for instance – climate justice as a responsibility to help those who suffer the most from climate change the most the fastest. This injustice can be addressed through redistributive mechanisms and legal frameworks that uphold human rights and ecological balance (Puaschunder, 2023).

Corporate Social Responsibility (CSR) is a public relations tool but also a critical economic strategy. Companies that invest in sustainability tend to have stronger reputations, better risk management, and increased employee and customer loyalty, all of which translate into long-term financial benefits (Puaschunder, 2023). Newest developments include

Corporate Social Justice (CSJ) initiatives that address diversity and inclusion in corporate contexts.

Long-Term Thinking and Financial Planning

Sustainability efforts allow for long-term strategic planning. For instance, retirement systems and pension funds live from the idea of sustainability shared in a collective. Long-term financial institutions, such as pension funds and sovereign wealth funds, are uniquely positioned in society to lead on sustainability. Their investment horizons align with the goals of intergenerational equity and sustainable growth. Governmental institutions can also influence markets through sustainable asset allocation and shareholder advocacy (Puaschunder, 2023).

Green Multiplier

Sustainability can have economic multiplying functions through investments that trickle down society. Examples of a multiplying function are sustainable cities and infrastructure developments. For instance, urban development projects integrate green technologies, public transportation and inclusive housing policies. These case studies demonstrate how sustainability can drive economic growth while enhancing quality of life (Puaschunder, 2023).

Financial Innovation and Sustainability

Green Finance

In most recent decades, financial innovation has growingly embraced environmental, social and governance (ESG) goals. Green finance, including green bonds and sustainable investment funds enjoyed rising demand for as for integrating sustainability into capital markets. Financial innovation thereby not merely rests in profit maximization but also prioritizes ecological and social returns. Green finance stresses profit maximization based on the recognition that sustainable assets can outperform traditional investments over the long run as for being more stable during economic upheaval. Green finance solutions also mitigate risks associated liability risks and help process regulatory pressures more efficiently. Green finance also helps curb environmental degradation and nurtures resilience structures (Puaschunder, 2023).

Companies can use sustainability to enhance competitive status and mark leadership. For instance, firms can adopt long-term strategies that prioritize resource efficiency, ethical supply chains and social impact – resulting in both economic and reputational gains (Puaschunder, 2023).

Behavioral Economics and Sustainability

Traditional economic theories often assume rational agents. Behavioral economics has shown that cognitive biases frequently lead to unsustainable consumption and investment behaviors. Nudges and winks that implicitly help change default rules and present information to elicit socially-favorable behavior influence individuals and institutions to adopt more sustainable practices (Puaschunder, 2022). Sustainability nudges mainly internalize externalities and align market behavior with long-term social and environmental goals.

Intergenerational Equity

Traditional economic models, with emphasis on short-term gains maximization, have been challenged by behavioral economics that shows human failure to discount future utility properly, which contributed to find intrinsic value of sustainability for future generations (Puaschunder, 2022). Correcting this imbalance requires embedding future-oriented thinking in financial systems and public policy. Intergenerational equity stems from the passing on the best possible way a generation could create a shared living on earth for their time being given their framework

conditions and state-of-the-art means. Intergenerational equity economics frames sustainability as an economic practice grounded in justice between generations.

Measuring the Economic Value of Sustainability

Valuing Natural Capital

Most recent decades have seen an advent of the wish to measure economic value of natural capital. Natural resources – such as forests, water systems, and biodiversity – offer essential services that support economic activity. By integrating natural capital into national accounting systems and corporate balance sheets, societies can better reflect the true costs and benefits of economic activity for this generation and the following (Puaschunder, 2023). Sustainability accounting tools, such as environmental profit and loss (EP&L) statements and triple bottom line reporting, are examples of how businesses and governments can quantify sustainability.

Social Return on Investment (SROI)

The value of sustainability can also be quantified by the Social Return on Investment as a metric for evaluating projects based not only on their financial performance but also on their societal and environmental impacts. SROI allows decision-makers to compare alternatives through a more holistic lens, encouraging the selection of initiatives that provide broader public value (Puaschunder, 2023).

Conclusion

Overall, sustainability brings many advantages that integrate multifaceted benefits. To understand the kaleidoscope of overlapping values, insights from multiple disciplines are needed. Sustainability can be linked to economic sustainability when it concerns legal framework compliance – e.g., to adhere to governmental environmental law. Sustainability also addresses long-term sociological imbalances and helps avert inequality and discrimination. In Economic Sustainability, the focus is on long-term value creation with a behavioral larger view of welfare. This interdisciplinary lens highlights the complexity of sustainability and the necessity of coordinated action across sectors (Puaschunder, 2023).

There is an importance of education and research in shaping a sustainable future and embedding sustainability at the heart of economic and financial systems. Universities, think tanks and policy institutes have a responsibility to produce knowledge that supports sustainable economic development and trains the next generation of leaders (Puaschunder, 2023). The economic value of sustainability is not limited to avoided costs or regulatory compliance; it also encompasses enhanced resilience, inclusive growth and long-term prosperity. By recognizing intergenerational equity, natural capital and systemic risks, society leaps a fundamental shift in how value is created, measured and distributed.

Sustainability, in this framework, is both a moral imperative and a strategic economic choice. As global challenges such as climate change, inequality, and resource scarcity intensify, the principles of future resilient finance offer a roadmap toward a more just and sustainable world.

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