NICHOLAS A. ASHFORD

RALPH P. HALL

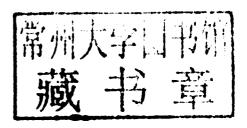
# TECHNOLOGY, GLOBALIZATION, AND SUSTAINABLE DEVELOPMENT

TRANSFORMING THE INDUSTRIAL STATE

# TECHNOLOGY, GLOBALIZATION, AND SUSTAINABLE DEVELOPMENT

Transforming the Industrial State

NICHOLAS A. ASHFORD RALPH P. HALL



Copyright © 2011 by Nicholas A. Ashford and Ralph P. Hall.

All rights reserved.

This book may not be reproduced, in whole or in part, including illustrations, in any form (beyond that copying permitted by Sections 107 and 108 of the U.S. Copyright Law and except by reviewers for the public press), without written permission from the publishers.

Yale University Press books may be purchased in quantity for educational, business, or promotional use. For information, please e-mail sales.press@yale.edu (U.S. office) or sales@yaleup.co.uk (U.K. office).

Set in Times 10 and Scala Sans type by Westchester Book Group, Danbury, CT Printed in the United States of America

Library of Congress Control Number: 2011927542 ISBN 978-0-300-16972-0 (alk. paper)

A catalogue record for this book is available from the British Library.

This paper meets the requirements of ANSI/NISO Z39.48-1992 (Permanence of Paper).

# Illustrations

Figures		Figure 3.1:	Stynzed Graph of Schumpeter's waves
Figure 0.1:	The Origins of Unsustainability		of Technology-Based Economic
8	Problems in the Industrial State and	E: 2.0	Development 158
	Possible Solutions 3	Figure 3.2:	World Economic History in One
Figure 0.2:	Technological Change and	T71	Picture 163
	Globalization as Drivers of Change	Figure 5.1:	Technological Change and
	within and between Three		Globalization as Drivers of Change
	Operationally-Important		within and between Three
	Dimensions of Sustainability 9		Operationally-Important Dimensions
Figure 1.1:	Residual Wage Inequality: 90th and	F: 7.0	of Sustainability 216
2 -8	10th Percentiles in Hourly Wages	Figure 5.2:	Technological Change and
	(1975=1.0) 38		Globalization as Drivers of Change
Figure 1.2:	Inequality of Adjusted Family Income		That Affects the Environment and the
	and Inequality of Male Hourly Wage		Economy (Sectors I, II, and III) 217
	Rates, 1975–2002 (1975=1.0) 39	Figure 5.3:	Technological Change and
Figure 1.3:	Ratio of Earnings of Top 10 Percent		Globalization as Drivers of Change
118010 1101	Earners vis-à-vis Bottom 10 Percent		That Affects the Economy and Work
	Earners, 1990–2006 40		(Sectors III, IV, and V) 237
Figure 1.4:	Factors That Influence Job and	Figure 5.4:	Technological Change and
	Employment Quality 52		Globalization as Drivers of Change
Figure 1.5:	Neoclassical Economics View of		That Affects Work and the
	Growing Cycles of Production and		Environment (Sectors I, V, and
	Consumption 79	-	VI) 248
Figure 1.6:	Steady-State Economics View of	Figure 6.1:	The Dynamics of Technological
	Production and Consumption Cycles in		Change 272
	Equilibrium with the Ecosystem 79	Figure 6.2:	The Important Dimensions of
Figure 1.7:	Environmental Kuznets Curve for		Technological Change 276
1.8010 1	Sulfur Dioxide Emissions 81	Figure 6.3:	Simple Linear Model of Technological
Figure 1.8:	The Accumulation of S-Curves for a	T:	Innovation with Feedback 278
	Technology Set 87	Figure 6.4:	The Basic Model of the Sectoral/
Figure 1.9:	Drivers, Challenges, and Solutions for		Regional Innovation System
8	Globalization within a Context of	T' (7	(Embedded in Societal Networks) 278
	Human Needs 91	Figure 6.5:	Diagram of a Generic Innovation
Figure 1.10:		T' 71	System 284
3	Challenges Confronting Sustainable	Figure 7.1:	Different Operating Postures That
	Development 104		Might Be Adopted by Government,
			Corporations, and Consumers in the

	Context of Citizen, NGO, and	Figure 12.6:	Distribution of ODA by Project Type
	Shareholder Scrutiny 292		and Sector 585
Figure 7.2:	The Triangle of Technical	Figure 12.7:	The Effect of Fungibility 586
	Development 318	Figure 12.8:	The Marginal Impact on Growth of
Figure 8.1:	Matrix of Potential Outcomes of	ue na cest ter	1 Additional Percent of GDP in Aid 588
	Sustaining and Disrupting Product	Figure 12.9:	The Adverse Effect of Trade Barriers
F: 0.0	Technology 339		on Development of the World's
Figure 8.2:	Intersecting Trajectories of Performance	F: 12.10	Poorest 595
	Demanded (Dashed Lines) versus	Figure 12.10:	Net Private Debt and Equity Flows to
	Performance Supplied (Solid Lines) in a Generic Product Market 340	Figure 12 11.	Developing Countries, 1991–2007 602 Net Equity Inflows to Developing
Figure 8.3:	Disrupting-Technology S-Curve 341	rigule 12.11.	Countries as a Share of GDP,
Figure 8.4:	The Efficient Frontier for Current and		1991–2007 603
rigure o	Future Technology, Contrasting	Figure 12.12:	Net Private Capital Flows to Developing
	Sustaining and Disrupting		Countries, 1990–2009 606
	Innovation 342	Figure 12.13:	FDI Flows during the Years of Financial
Figure 8.5:	Matrix of Potential Outcomes of		Crisis in Various Nations 609
	Sustaining and Disrupting Technology	Figure 12.14:	Private Capital Flows to High-income
	for Four Different Kinds of		Economies and Low- and Middle-
	Technological Change or		income Economies 610
	Innovation 343	Figure 12.15:	Private Capital Flows to Middle- and
Figure 8.6:	The Interconnections among	TI 10.17	Low-income Economies 611
	Institutional, Technological, and	Figure 12.16:	Economic Growth—The Conventional
	Organizational Development/		View of the Labor-Capital
Figure 8.7:	Change 351 The Backcasting Process 357	Figure 12 17.	Relationship 641 Economic Growth—The Binary View of
Figure 9.1:	Trade-offs of EPA Air- and Water-	Figure 12.17.	the Labor-Capital Relationship 641
riguic 7.1.	Pollution Regulations 399	Figure 12 18	The Model of Binary Economics 645
Figure 9.2:	Trade-offs of Asbestos Brake-Lining		Percentage of Capital Acquisitions That
1 18410 7.2.	Regulation 400	118010 1211).	Link Supply with Demand 646
Figure 9.3:	Model of Regulation-Induced	Figure 13.1:	Government Activity Areas and
	Technological Change for Weak (Porter)		Challenges Confronting Sustainable
	and Strong (Ashford/MIT) Forms of the		Development 690
	Regulation-Induced-Innovation		
	Hypothesis 414	Tables	
Figure 10.1:	Growth in Number of Parties to		
F: 10.2	Selected MEAs 423	Table 0.1:	Evolution of Approaches to
Figure 10.2:			Health, Safety, and Environmental
Figure 10 2	Conventions (as of March 1, 1999) 424 Estimated Number of Hazardous-Waste	Table 0.2:	Problems 9  Comparison of Current and Systeinable
Figure 10.3:	Sites, 2004–2033 458	Table 0.2.	Comparison of Current and Sustainable Policy Agendas 10
Figure 10.4:	Scope of EC Environmental Liability	Table 1.1:	The UNDP Development Indexes
rigure 10.1.	Regime Envisioned by the White	rable 1.1.	for Selected Countries Including
	Paper 459		Their Happy Planet Index (HPI)
Figure 10.5:	EMAS Organizations and Sites across		Ranking 28
0	the European Union 481	Table 1.2:	Key Elements of Compensation
Figure 11.1:	Schematic of the WTO Dispute-		Theory 46
	Resolution Process 531	Table 1.3:	Types and Outcomes of Interactions
Figure 12.1:	Net ODA Disbursements Excluding		between the Government and
	Debt Relief, 1960–2006 579		Stakeholders 62
Figure 12.2:	DAC Members' Net ODA (1990–2008)	Table 1.4:	Likelihood of Achieving a Revised
	and DAC Secretariat Simulations of Net		Rawlsian Outcome with a Rawlsian/
Figure 12 2	ODA (2009–2010) 580		Non-Rawlsian Government and
Figure 12.3:	Net ODA Disbursements by DAC		Utilitarian/Communitarian
Figure 12.4:	Donors, 1960–2010 581 Net ODA in 2009 582	Table 1.5:	Stakeholders 63 Comparison of Key Features of the
Figure 12.4. Figure 12.5:	Net ODA in 2009 as a Percentage of	14016 1.3.	Human Development Approach with
115010 12.3.	Gross National Income (GNI) 582		the Neoliberal Alternative and the
	(O.1.1)		Basic-Needs Antecedent 72
			un monte la transportación de destación de la constación

Illustrations XXV

Table 1.6:	Sustainability and the World in the Twentieth Century 76	Table 10-B.1:	Core Environmental Conventions and Related Agreements of Global
Table 1.7:	Dernbach's (1998) Five Components of Sustainable Development and the	Table 11.1:	Significance 519 The World Trade Organization
	Principles of the Stockholm and Rio		(WTO) 528
	Declarations 93	Table 12.1:	Types of Public- and Private-Sector
Table 1.8:	Fundamental Problems with		Finance Available for Development
	the Industrial State and Their		Initiatives 572
T. 11 - 0.4	Solutions 97	Table 12.2:	Net Disbursements of ODA Excluding
Table 2.1:	The Creation of a National Environment	T-1-1- 10 0	Debt Relief, 1990–2009 580
	and Development Agenda—1951 to 1970—123	Table 12.3:	Average Rates of Return for IBRD- and IFC-Financed Projects (1968–1989),
Table 2.2:	The Creation of an International		Categorized with Respect to Four
	Environmental Agenda—1971 to	T 11 10 1	Measures of Economic Policy 588
T. 11 . 2 . 2	1980 125	Table 12.4:	2010 CDI Ranking of Twenty-two Rich
Table 2.3:	The Emergence of Sustainable		Countries, Based on an Examination of
T-11-21	Development—1981 to 2010 128		Seven Policy Indicators: Aid, Trade,
Table 3.1:	Characteristics of Major Technological		Investment, Migration, Environment,
Table 2.2	Complexes 158  Rules of Good Robovier for Promoting	Table 12.5:	Security, and Technology 594
Table 3.2:	Rules of Good Behavior for Promoting Economic Growth 167	1able 12.5.	Cross-Border Bank Lending to
Table 4.1:	The Great Globalization Debate 187		Developing Countries by Region, 2000–2007 604
Table 5.1:	Summary of Environmental-Income	Table 12.6:	Top 10 Portfolio Destination Developing
1401C 3.1.	Relationship for Different	14010 12.0.	Countries, 2000–2009 605
	Indicators 223	Table 12.7:	GDP Losses Resulting from Financial
Table 5.2:	Summary of Estimates of the Impact of	11010 12111	Crises 607
	Trade Liberalization on Pollution 231	Table 12.8:	The Policy Matrix 622
Table 5.3:	Important Elements of Globalization	Table 12.9:	Aid in Support of the Environment,
	and Their Effects on Development 259		2007–2008 Average 624
Table 7.1:	Modes of Learning 298	Table 12.10:	Market Mechanisms to Encourage
Table 7.2:	TRI Form R Source-Reduction		Sustainable Development 629
	Methods 304	Table 12-A.1:	Table of Acronyms 662
Table 7.3:	Four Patterns of Workplace	Table 12-B.1:	Total Net Flows from DAC Countries by
	Practices 322		Type of Flow 664
Table 8.1:	Framework of Options for	Table 12-B.2:	Net Capital Inflows to Developing
	Analysis 353		Countries 664
Table 9.1:	Selected U.S. and EU Environmental	Table 12-C.1:	The Millennium Development Goals
T.11.00	Initiatives 372		(MDGs) 665
Table 9.2:	National Ambient Air Quality		
T. 11 02	Standards 376	Boxes	
Table 9.3:	EPCRA Chemicals, Reportable	Doy 1 1.	Var Painta Palatina to the
	Actions, and Reporting	Box 1.1:	Key Points Relating to the
Table 9.4:	Thresholds 391  Eventually of Broblem Types That Con		Environmental Kuznets Curve
1able 9.4.	Examples of Problem Types That Can Be Addressed Using Trade-off	Box 1.2:	(EKC) 82 Some Definitions of Sustainable
	Analysis 395	DOX 1.2.	Development 89
Table 9.5:	Generic Matrix of Policy Consequences	Box 2.1:	Critiques of the Earth Summit and the
140ic 5.5.	for Different Groups/Regions 397	DOX 2.1.	Rio Declaration 135
Table 9.6:	Using the Trade-off Matrix for a	Box 3.1:	Adam Smith (1723–1790) 151
14010 5.0.	Comparative Analysis of Policy	Box 3.2:	David Ricardo (1772–1823) 152
	Alternatives 398	Box 3.3:	Thomas Robert Malthus
Table 9.7:	A Classification of Approaches to		(1766–1834) 164
	Decision Making and Evaluation 398	Box 5.1:	The Global Sullivan Principles 235
Table 9.8:	Highlights of the Consumer Product	Box 5.2:	Five Levels of Economic
	Safety Improvement Act of 2008 402		Governance 258
Table 10.1:	EMAS and ISO 14001 Participation	Box 7.1:	Three Types of Industrial
	Rates in April 2000 482		Globalization 289
Table 10-A.1:	Multilateral Environmental	Box 8.1:	Theories of Technological Innovation
	Agreements 514		and the Role of Government 345

Illustrations xxvi

Box 10.1:	Persistent Organic Pollutants	Box 10.8:	The Treaty of Maastricht (1992) 470
	(POPs) 453	Box 10.9:	The Treaty of Amsterdam (1997) 471
Box 10.2:	Climate Change and International	Box 10.10:	EU Legal Framework for
	Environmental Law: The Kyoto		Biotechnology 487
	Protocol 455	Box 10.11:	Selected Directives and Regulations
Box 10.3:	Climate Change and International		Established to Protect the Health and
	Environmental Law: The Copenhagen		Safety of Europe's Workers 491
	Accord 456	Box 10.12:	Health and Safety Research Institutions
Box 10.4:	Country Programs: Clean		Active within the EU 493
	Technology 465	Box 10.13:	Citizen Submission Process of the
Box 10.5:	ASEAN Environmental Improvement		NAAEC 502
	Program 467	Box 11.1:	United States-Import Prohibition of
Box 10.6:	Environmental Governance in the		Certain Shrimp and Shrimp
	European Union 469		Products 535
Box 10.7:	The Single European Act (1986) 470		

### **Preface**

echnology, Globalization, and Sustainable Development explores the rich and multidimensional elements of sustainable development. This book grew out of courses taught over the past decade at the Massachusetts Institute of Technology, Cambridge University, and the Harvard-Cyprus International Institute for the Environment and Public Health, now associated with the Cyprus University of Technology. More recently, the course was offered at Virginia Tech.

During the first decade of the twenty-first century, there has been a significant increase in academic and societal interest in sustainable development, which has been accompanied by important political and legal changes. Although some scholars continue to insist that the concept is vague and unwieldy, this writing seeks to explore the rich and multidimensional elements of sustainability and, further, to offer an integrative, transdisciplinary approach to policy design for its attainment. Sustainability and the related concepts of development, globalization, and economic and environmental justice are interwoven with technological, organizational, institutional, and social changes and with trade as drivers of the transformation of industrial and industrializing societies.

The Schumpeterian notion of technological innovation as "the engine of growth" is being challenged as the globalization of trade is increasingly recognized to be an additional and different driving force for growth of industrial economies. With the establishment of the World Trade Organization (WTO) implementing the General Agreement on Tariffs

and Trade (GATT), the North American Free Trade Agreement (NAFTA), and other trading regimes, serious questions have been raised concerning the effects of global trade on sustainability. These effects must be viewed broadly to include not only a healthy economic base but also a sound environment, stable employment with adequate purchasing power, distributional equity, national self-reliance, maintenance of cultural integrity, and social inclusion.

Different trading regimes treat environment and labor standards differently, sometimes regarding more stringent regulatory requirements as illegal nontariff trade barriers. This book explores the many dimensions of sustainability and the use of national, multinational, and international political and legal mechanisms to further sustainable development. The interrelationship of technological change, economic growth, industrial development, employment, and the environment is examined in the context of theories of trade, employment, and regulation and of the importance of networks and organizational innovation and learning. Policies for resolving the apparent conflicts among development, the environment, and employment are explored in generating a different vision for the future.

This book draws extensively on both American and European writings on social and political theory; management science; industrial, labor, and environmental economics; ecological economics; and environmental and international law. Students from a variety of courses of study in three countries have taken the courses on which this work has been developed, and it is hoped that this book can be taught in

Preface xxviii

programs of schools of engineering, management and economics, industrial relations, law, science, public health, and international relations and political science beyond the American venue.

This work can serve both as a comprehensive reference book on the many aspects of sustainable development and as a textbook that would ideally be taught on a multidisciplinary team basis. However, parts of the book could also be incorporated into existing conventional curricula. For example, Chapter 2 (in Part I and in its expanded form on the website accompanying this text), "The Emergence of Sustainable Development," is relevant for courses in history, sociology, and political science. Chapters 3, 4, and 5 (Part II) would be valuable in courses on economic growth and development in economics departments, schools of management, and international

relations programs. Chapters 6, 7, and 8 ideally fit into courses on innovation and industrial policy in both engineering and management schools. Chapters 9 and 10 (Part IV) and Chapter 11 are dedicated to national, regional, and international environmental law and could be taught in law schools, international relations programs, political science, and schools of public health. Chapter 12 is an expansive treatment of international finance for development and the environment suitable for schools of management and departments of economics and political science.

Thus a number of selected chapters from this work could easily fill several traditional courses in different departments, but the entire book offers an opportunity for a transdisciplinary course that cuts across departments and schools, which is the trend in many forward-looking programs.

# Acknowledgments

e wish not only to acknowledge the support of our families during this challenging effort but also to thank the students, scholars, writers, and public servants from whom we have learned so much. We also thank our colleagues at the Massachusetts Institute of Technology, Cambridge University, the Cyprus University of Technology, and Virginia Tech who understood the importance of crossing disciplinary lines and engaging in transdisciplinary thinking.

This work has been in development for more than a decade and has benefited from the keen insight and inquisitive minds of hundreds of students and numerous colleagues. We are indebted to all those who have played a part in enriching the writing of this work. In particular, we would like to thank Charlotte Neve De Mevergnies, Kate Parrot, Claire Lunn, and Mark Venema and Georgios Triantafyllou for their early but significant contributions to Chapters 5, 7, 10, and 12, respectively, and Kyriakos Pierrakakis for his contributions to Chapters 3 and 4. We are also grateful to Professor Robert H. Ashford of Syracuse Law School, who contributed original writing and thinking on binary economics found in Chapter 12. Finally, we thank Ambuj Sagar and Mark Stoughton for their assistance in organizing a course on sustainability, trade, and the environment from which this published book ultimately emerged.

Financial support to accommodate a face-to-face meeting of the authors during the preparation of the finished draft was provided by the Ridenour Fellowship Fund in the School of Public and International Affairs at Virginia Tech.

# Contents

Detailed Table of Contents ix List of Illustrations xxiii Preface xxvii Acknowledgments xxix

Overview 1

Environment 419

	overview 1
Part I	The Multidimensional Concept of Sustainability 17
Chapter 1: Chapter 2:	Concern for a Global Future 19 The Emergence of Sustainable Development 122
Part II	Economic Development, Globalization, and Sustainability 143
Chapter 3:	Economic Development and Prosperity: Current Theory and Debate 145
Chapter 4:	Globalization: Technology, Trade Regimes, Capital Flows, and the International Economy 183
Chapter 5:	Globalization and Sustainability 214
Part III	Industrial Policy and the Role of the Firm in Pursuing Sustainable Development 269
Chapter 6:	The Importance of Technological Innovation 271
Chapter 7:	Organizational Innovation and Learning: The Role of the Industrial Firm in Achieving Sustainable Development 287
Chapter 8:	Government Policies to Foster Innovation, Economic Growth, and Employment 336
Part IV	National, Regional, and International Efforts to Advance Health, Safety, and the Environment 367
Chapter 9:	Government Intervention to Protect the Environment, Public/Worker Health and Safety, and Consumer Product Safety 369
Chapter 10:	Regional and International Regimes to Protect Health, Safety, and the

Contents viii

# Part V International Trade and Finance 521 Chapter 11: Trade Regimes and Sustainability 523 Chapter 12: Financing Development 569 Part VI Strategic Policy Design for Sustainable Transformations 667 Chapter 13: Pathways to Sustainability: Co-optimizing Economic Development, the Environment, and Employment 669

Index 703

# **Detailed Table of Contents**

Overvie	w 1
	0.1 Introduction 1
	0.2 The Multidimensional Character of Sustainability 2
	0.3 The Unsustainable Industrial State 3
	0.4 Globalization 4
	0.5 Drivers of Economic Growth and Development 5
	0.5.1 Strategies to Enhance Competitiveness 5
	0.5.2 The Consequences of Different Industrial Strategy Options
	for Workers 6
	0.6 Conceptualizations of Sustainable Development 8
	0.6.1 The Interrelatedness of the Economy, of the Environment,
	Health, and Safety, and of Employment and the Need to Address
	Them Together 8
	0.6.2 Sustaining and Disrupting Innovation Distinguished 8
	0.6.3 A Capsule Definition of Sustainable Development 11
	0.7 Governance Options for Achieving a Transformation to a
	More Sustainable State 11
	0.8 The Role of Government 12
	0.9 The Way Forward 14
	0.10 References 15
	42 70 0 7 4

#### Part I: The Multidimensional Concept of Sustainability 17

#### 1 Concern for a Global Future 19

- 1.1 Human Needs 20
  - 1.1.1 The Measurement of (Human) Development 22
  - 1.1.2 Consumption and Well-Being 33
  - 1.1.3 Employment 35
    - 1.1.3.1 Income and Wage Inequality 36
      - 1.1.3.1.1 The Impact of Technological Change on

Wages and Employment 42

**Detailed Table of Contents** 

able of Contents
1.1.3.1.2 Skill-Based Technological Change and
the Relative Importance of Other Factors
on Inequality 47
1.1.3.1.3 Addressing Wage and Income Inequality
in the United States 51
1.1.3.2 The Importance of Employment beyond the Creation of
Purchasing Power 52
1.1.4 Human Needs and Sustainability 54
1.2 Social Justice, Inequality, and the Social Contract between the Governed and
the Government 56
1.2.1 The Social Contract and the Theory of Justice 56
1.2.2 Operationalizing the Social Contract 61
1.2.3 Equality of What? 69
1.3 Living beyond Our Ecological Means: The Technology Debate 73
1.3.1 Growth, Technology, and Substitution versus a
Steady-State Economy 77
1.3.2 The Environment and Affluence: The Environmental
Kuznets Curve 80
1.3.3 Technological Optimism 86
1.4 A Conceptual Framework for Sustainable Development 88
1.5 The European Union's Strategy for Sustainable Development:
The Lisbon Strategy and Europe 2020 97
1.6 The Reformulation of Sustainable Development as a Problem of
Global Climate Change 100
1.7 Broadening Our Awareness of Tipping Points 101
1.8 The 2008 Financial Crisis and Opportunities for Reconceptualization of
the Growth Paradigm 102
1.9 The Necessity of Solving Problems on a Comprehensive Basis 105
1.10 Notes 105
1.11 Additional Readings 106
1.12 References 106

#### 2 The Emergence of Sustainable Development 122

2.1 Notes 138

2.2 Additional Readings 139

2.3 References 139

#### Part II: Economic Development, Globalization, and Sustainability 143

#### 3 Economic Development and Prosperity: Current Theory and Debate 145

- 3.1 The Meaning of Economic Development 145
  - 3.1.1 Growth and Development Distinguished 145
  - 3.1.2 Factor Endowments and the Classification of Capital 146
- 3.2 Theories and Perspectives on Economic Growth 147
  - 3.2.1 Rostow's Stages-of-Growth Model 147
  - 3.2.2 Linear Stages-of-Growth Models: The Harrod-Domar Model 148
  - 3.2.3 Structural-Change Models 148
  - 3.2.4 The International-Dependence Perspective 149
  - 3.2.5 Neoclassical Growth Theory: The Solow Model 150

**Detailed Table** 

Detailed	d Table of Contents
	3.2.6 New Growth Theory: Romer's Model 151
	3.2.7 The Ayres-Warr Analysis 153
	3.2.8 Implicit Assumptions about Technological Innovation in
	Neoclassical Environmental and Ecological Economics 154
	3.2.9 Peak Oil and Economic Growth 155
	3.3 Technological Development and Growth Theory 156
	3.3.1 Technological Change 156
	3.3.1.1 The Long Waves 156
	3.3.1.2 The Information or Postindustrial Revolution 159
	3.3.2 Joseph Schumpeter's "Creative Destruction" 163
	3.3.3 Market Structure and Innovation 164
	3.4 Critiques of, and Alternatives to, the Northern Growth Model 166
	3.4.1 Growth in Developing Economies and the Washington
	Consensus 166
	3.4.2 Sustainability in Practice: The Cases of Kerala and
	Costa Rica 168
	3.5 What Lies Ahead for Economic Growth and Development in Industrialized
	and Developing Economies? 170
	3.5.1 The End of Sustainable Growth? 170
	3.5.2 The Impact of Economic Growth on Employment in the
	Developed World 171
	3.5.3 The Next Industrial Revolution? 172
	3.5.4 Broadening Capital Ownership and Its Effects on Consumption-
	Led Growth, Sustainable Livelihoods, and the Environment 173
	3.6 The New Economics 173
	3.7 Notes 179
	3.8 Additional Readings 179
	3.9 References 179
-	palization: Technology, Trade Regimes, Capital Flows, and the rnational Economy 183
Inte	4.1 Introduction 183
	4.2 Globalization 184
	4.2.1 Industrial Globalization 187
	4.3 Trade Regimes 189
	4.3.1 The World Trade Organization 189
	4.3.2 The North American Free Trade Agreement 189
	4.4 Trade and Economic Development 190
	4.4.1 Free Trade: Winners and Losers 190
	4.4.2 The Effects of Trade in the Developed World 194
	4.4.3 The Effects of Trade in the Developing World 195
	4.4.4 Current Structural Changes Stemming from Manufacturing and
	Services Dominated by China and India, and from the Consolidation
	of Retailing Power in the Developed Countries 196
	4.5 The Role of Multinational Enterprises in the International Economy 198
	4.5.1 MNEs and Neoclassical Economics 198
	4.5.2 The Centrality of Foreign Direct Investment for
	Development 200
	4.5.3 MNEs: Blessing or Peril? 201

Detailed Table of Contents

- 4.6 Evolution of Financial Institutions 203
  - 4.6.1 Bretton Woods and Its Aftermath 203
  - 4.6.2 The Benefits and Perils of Increased Capital Mobility 204
  - 4.6.3 Toward a New Bretton Woods? 206
  - 4.6.4 Steps toward a New Financial Architecture 207
- 4.7 Notes 209
- 4.8 Additional Readings 209
- 4.9 References 210

#### 5 Globalization and Sustainability 214

- 5.1 Effects of Globalization on Economy/Environment Interactions: Sector II 215
  - 5.1.1 Development (Industrialization) and the Environment 217
    - 5.1.1.1 From Early Industrialization to Silent Spring 217
    - 5.1.1.2 Growthmania and Its Discontents 218
    - 5.1.1.3 The Relationship between Economic Development/Growth and the Environment: An Analytic Approach 221
    - 5.1.1.4 The Conflict between Economic Growth and the Environment 224
    - 5.1.1.5 The Relationship between Environmental Regulation and Economic Growth 224
  - 5.1.2 Trade (Globalization) and the Environment 225
    - 5.1.2.1 The Rationale for Free Trade 226
    - 5.1.2.2 Criticism of the Rationale 226
    - 5.1.2.3 The Positive Impacts of Free Trade on Environmental Quality 227
    - 5.1.2.4 The Adverse Effects of Free Trade on the Environment 228
    - 5.1.2.5 The Relationship between Trade and the Environment:

      An Analytic Approach 230
    - 5.1.2.6 The Effects of Stringent Environmental Regulation on Trade and Competition 232
  - 5.1.3 Global Investment and the Environment 233
- 5.2 Effects of Globalization on Economy/Work Interactions: Sector IV 236
  - 5.2.1 The International Division of Labor (Resulting from Multinationalization) 237
  - 5.2.2 The Creation of Purchasing Power 242
  - 5.2.3 Technology-Enabled Capital Mobility 243
  - 5.2.4 Interconnections between the International Division of Labor,Purchasing Power, and Capital Mobility 246
- 5.3 Effects of Globalization on Environment/Work Interactions: Sector VI 247
  - 5.3.1 Increasing the Environmental Footprint 247
  - 5.3.2 The Effects of a Greener Economy on Employment 248
  - 5.3.3 Immigration and Population 252
- 5.4 Globalization and Governance 253
  - 5.4.1 The Role of National and International Governance in Promoting Sustainable Development 254
- 5.5 Notes 260

- 5.6 Additional Readings 260
- 5.7 References 260

#### Part III: Industrial Policy and the Role of the Firm in Pursuing Sustainable Development 269

#### 6 The Importance of Technological Innovation 271

- 6.1 Introduction 271
- 6.2 Types of Innovation and the Nature of Technological Change 271
  - 6.2.1 Categorizing Technological Change 271
  - 6.2.2 Evolutionary versus Revolutionary Change 277
- 6.3 The Classical Linear Model of Technological Innovation 278
- 6.4 National Innovation Systems 279
- 6.5 References 285

### 7 Organizational Innovation and Learning: The Role of the Industrial Firm in Achieving Sustainable Development 287

- 7.1 Introduction 287
  - 7.1.1 Globalization 288
  - 7.1.2 Pressures for Corporate Environmental Responsibility 289
  - 7.1.3 Responses of Firms to Social Demands 292
- 7.2 What Kinds of Environmental, Skill, and Employment Changes Are

Needed in the Economy? 293

- 7.2.1 Environmental Changes 293
- 7.2.2 Changes in Skills and Employment 294
- 7.3 Organizational Innovation and Learning: Theory and Background 295
  - 7.3.1 Organizational Theory and the Limitations of the

Neoclassical Model 295

- 7.3.2 Organizational Learning 296
  - 7.3.2.1 Networks 298
  - 7.3.2.2 Industrial-Networks Theory 299
  - 7.3.2.3 Sociotechnical Networks 300
  - 7.3.2.4 Social Networks: Learning Collaborations with

Stakeholders 302

- 7.3.2.5 Summary 305
- 7.4 Evolutionary or Coevolutionary Transformations and Customer Satisfaction and Values 305
  - 7.4.1 The Means of Delivering Satisfaction to Customers 306
  - 7.4.2 The Nature of Customer Satisfaction 306
    - 7.4.2.1 Innovations That Provide Customer Satisfaction in

Essentially the Same Way 307

7.4.2.2 Innovations That Are the Same in Basic Concept but

Differ in Quality of Satisfaction 307

- 7.4.2.3 Innovations That Deliver Customer Satisfaction in
  - a Significantly/Wholly Different Way 307
- 7.4.3 Changes in Customer Behavior and Values 308
- 7.5 The Relationship between Organizational Learning and Change and Technological Innovation 308
  - 7.5.1 Willingness 308