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Session 3 : Beyond GDP, searching for composite indicators - Taking into account environment and sustainable development (thursday 5 June morning)

The concept of genuine saving and the measure of sustainable development

Antoine de Masson d'Autume, Katheline Schubert (Université de Paris 1- Panthéon-Sorbonne)

The paper presents the theoretical foundations of the concept of genuine savings. They are portrayed through what is at first the most simple model with two capital stocks, the manufactured capital and the non renewable natural capital (canonic model from Dasgupta et Heal, 1974). Next, the model is extended to other forms of natural capital (renewable resources and stock of pollution) and, in a later stage, technical improvements, human capital, population growth and natural capital trade in an open economy are introduced. Then, we display the relationship between genuine savings and net national income. Finally, we examine to which extent genuine savings, that can be calculated on an empirical basis, can represent a good indicator for growth sustainability.