

# WHY SHOULD WE TALK ABOUT SUSTAINABLE DEVELOPMENT IF WE FACE SO MANY “MORE URGENT” CHALLENGES IN BRAZIL?

## Abstract

In this paper, we aim to discuss why we should talk about Sustainable Development in Brazil, even when we face so many challenges regarding social inequality, injustices, prejudice, corruption, lack of health, and education. Who we should blame to have so many problems? Can we blame capitalism, governments, bankers, ourselves? Instead of trying to figure out the “guilty”, we should get aware of what is going on and awake others that are not yet in same page. We argue that Sustainable Development is the key factor to decrease some of our urgent challenges in Brazil.

**Keywords:** Sustainability, Sustainable Development, Challenges in Brazil.

## 1. INTRODUCTION

Why should Brazilians talk about Sustainability? The literature reports the problems regarding social inequality (Barros, 1995), injustices (Noronha, 2003), prejudice (Guimaraes, 2004), corruption (Spech, 2012), health (Travassos, Viacava, Fernandes & Almeida, 2000), education (Schwartzman & Brock 2005; Klein, 2006), among others. People feel these problems in everyday life, which may explain why some parts of the population believe that these problems are “more urgent problems” than environmental issues.

We could blame the government for not providing what is guaranteed by the 1988 Constitution. Also, we could blame capitalism since capitalists maximize shareholders value by appropriating the surplus produced by workers in the form of profit (Wood, 2003). People could use this money to achieve better conditions.

Additionally, we could blame ourselves, accountants. It is notorious how accountants have played an essential role in maximizing shareholders' value without considering the consequences of this pursuit. Of course, we have learned since undergrad that firms exist to maximize shareholders' profit without, literally, taking into account anything that does not match the goals of achieving this maximization.

We manage the results to achieve specific goals, such as market expectations or regulatory goals (Burgstahler, & Dichev, 1997; Cheng & Warfield, 2005; Rodrigues; 2008). There is an extensive literature regarding the “dirty” work accountants have done to maximize profits, independent of the ownership, public or private. The results, we already know, rich people getting richer and poor people getting poorer and poorer (IBGE, 2019). Worse, during a pandemic, inequalities it may get worse, and these inequalities exacerbate the spread of the virus. It becomes a vicious cycle (Nassif-Pires, Xavier, Masterson, Nikiforos, & Rios-Avila, 2020).

Finally, we could blame the society as we keep spending our money on firms that keeps sustaining the system. We are simply making the wheel turn. So... Have we asked ourselves what part of the blame do we have in sustaining the “dirty” system which not provides the basics to the population? And, what have we done to try to change it?

Before blaming everyone and everything, we must understand what is going on, not to find the culprits, but to find a solution. In this paper, we discuss why we, Brazilians, should think, talk and act towards Sustainable Development to solve some of our problems.

## **2. DISCUSSION**

### **2.1 Who we should blame?**

We should blame every “actor”. But is there just one? Of course not. As environment integrates several aspects of life, the problems we face probably or certainly have more than one “guilty”. Let us discuss some of them.

Capitalism is the first one, based on the idea of free markets and almost no intervention of governments. Capitalism is a socio-economic system in which individuals are free to own the means of production and maximize profits, and in which the allocation of resources is determined by a price system (Bannock & Albach, 1987). But the price system is not internalizing environmental externalities (Pretty et al., 2001, Bithas, 2011, Domingo, Sancho & Senante, 2016), which means that prices do not really correspond to the “real” price. Internalizing externalities is one way to achieve prices that really reflect its value. The reality is that we use environmental resources as if they were the company’s resources for free. We do not internalize externalities. If we do not internalize externalities the pursuit to achieve maximization of shareholders value tends to ruin (Henderson, 2020) and, ruin the society with it, creating problems such as the ones we face here.

Additionally, the ideas of capitalism involve economic freedom, political freedom and the small role of the government in a free society (Friedman, 2009). Using a pencil, Friedman (2009) explains how capitalism would build competitive markets that would allocate the resource in a more efficient way. The problem is that we cannot see freedom clearly anymore. The true freedom of opportunity is more dream than reality (Henderson, 2020), especially for small firms or new entrances.

Government, the second “guilty” actor, is also not free anymore. Government cannot focus on society because firms took over. The government does not provide the most basics to the Brazilian society, such as food, water and protection. Actually, the governments are on threat (Henderson, 2020), because they are in the hands of big firms, that either practice lobbying to create, change or even end laws in favor of firm shareholders.

Third, financial industries. The financial system, which finances the unsustainable productivity activities, has indirect or maybe direct responsibility to some of the socio-environmental problems. Financial institutions are the intermediaries between economic and financial trades, such as borrow from consumer/savers and lend to companies that need resources for investment (Gorton & Winton, 2003). These investments can be made in different kinds of firms, regardless of whether company policies include paying at least a living wage, reduce social inequality, injustices, and prejudice, or even an anti-corruption policy.

Fourth, owners, CEO, managers and accountants. We learn since undergraduate that the main objective of firms is “maximize shareholders value”, it is when the idea of pursuing earnings maximization begins. But also, we reflect personal goals and ambitions when we produce an accounting information or along the decision-making process (Shleifer, & Vishny, 1988), (not society needs). For example, we can break rules acting illegally because of employee compensation policy (Gabbioneta, Greenwood, Mazzola & Minoja, 2013). If constitutions are made to provide a

better society, unfollowing the laws is acting against society and probably developing even more our problems.

Fifth, we, individuals who should have “freedom” according to capitalism. The main goal of firms in capitalism is maximizing shareholders value. Capitalism provided a fertile ground for consumerism to improve it. We can be seen as hamsters who spin the wheel. We are the hamsters who sell our time for firms when we work for them, and then we buy their stuff to live or to feel “good” or “better”. Modern capitalism keeps the cycle running, especially because of the appealing to understand that the basic force in modern life is to acquire luxury goods and leisure services (Stearns, 2006). But, are we truly free “to buy” anything we want? Do we have freedom to buy whatever we want, based on our salaries that cannot afford some products or services? We have played such an important role on running towards the idea of maximizing shareholders value, but sometimes we do not know what our roles are to diminish our “freedom”. We develop an environment in which we may act against the society, against ourselves.

Then, everyone is “guilty”. But, without all these culprits, how would we experience development? The literature well documents how capitalism and how this “dirty” system has played an important role on creating a competitive environment that has shown prosperity. Governments have invested on companies that provide some of the ideas for development, such as tech companies. Of course, financial institutions are the intermediaries of all these projects. They take the money here, invest there and so on... How about us? Well, without us, society pushes the system development, needing more and more, and we pay for things that we understand as “needed”, producing such an important pillar to develop new products, services, and ideas. Then, we should not blame anyone, because it is a piece of cake to explain that almost everybody is guilty. We should get aware of what is going on and awake other Brazilians that are not yet in same page.

## **2.2 Sustainable Development versus Capitalism. Are them mutually excluded?**

The concept of Sustainable Development was given by the Butland Commission over thirteen years ago which defines it as the development which “meets the needs of the present without compromising the ability of future generations to meet their own needs”. Everybody knows what is necessary, what is something that is “needed”, such as water and food, wealth and protection. Capitalism, the current economic system has driven the way to produce “unnecessary things” to some people, while others do not have the truly “needed things”, such as food and water. But we also need some “other things” when we talk about development, such as education, technology, culture... These “other things” that are known as “not needed” to survive may give raise to new ideas of “needs”. Is education necessary to find a good job? Is internet necessary during pandemic? Of course, they are! But they are not understood as truly “needs” to survive.

Technology has been changing the way we work and live by saving time and resources and opening new opportunities for growth, innovation and knowledge creation (Vermesan & Friess, 2013). Some “unnecessary things” may be important to us. Nothing better than capitalism to instigate the development and sale of “useless things”.

On the other hand, capitalism has given so many challenges to everyone, either for firms that struggle to maximize shareholders value based on competition, strategy and technology, but much more for poor people... who struggle to survive. How Sustainable Development can help with this challenge? According to the concept, sustainable development permits us to infer that we do have some “needs”, some “needs” that are not always understood as “needed”, but we already

know how these “unneeded things” can help us to achieve some development, such as renewable energy (not already “needed”, but useful). Sustainable Development permits us to understand what is needed for us in certain time, even if someone else does not agree with what is needed by you. But, also, Sustainable Development does not allow that people have “needs” that can interfere the “need” of others. It seems that we should understand and respect someone else “needs”, but also we should not need anything that could end the “need” of others. In short, it is “okay” to invest in a technology which may take us to live in Mars, if no one is starving or dying of thirst.

The bottom line here is: Can we meet the needs of the present without compromising the ability of future generations to meet their own needs? Can we work towards development, including innovation and technology without compromising the needs of others? Sustainable Development Goals (SDGs) emerged with the intention of achieving Sustainable Development. Among other goals, SDGs promote either targets that are linked to basic “needs” such as fighting against poverty and secure human well-being, and targets that are aligned to more “complex” targets, but not more or less challenging, such as reduction of inequality, responsible consumption, and decent work.

According to UN, SDGs are the blueprint to achieve a better and more sustainable future for all and all countries have agreed to work towards achieving these goals. Ideally, all stakeholders, such as governments, civil society, private sector, and others, should contribute to the realization of the new agenda towards a Sustainable Development. Then, it is expected that firms contribute to achieve these new goals. On the other hand, Scarano (2020) argues that SDGs may be contradictory because of SDG 8 – Decent Work and Economic Growth, as we could say that we have no evidence, until nowadays, that “Sustainability” and “Economic Growth” can be reconciled. Can we achieve sustainable and economic goals at the same time? Can we achieve all goals together?

The Sustainable Development Goals are all interconnected (Blanc, 2015) what means that the achievement of one goal depend of the others (Nilsson, Griggs & Visbeck, 2016). In order to achieve the 2030 Agenda, there is a need to ensure that all the Goals are meeting. Therefore, not only the government should seek to achieve the goals, but also firms around the world, and society. According to the SDGs it seems possible to achieve Sustainable Development in a Capitalist world. Note that, this is an attempt! Now we know the steps we should follow to try to achieve Sustainable Development. Also, it seems that we do not have other options, we capitalists (since we live in this system) must try to follow these objectives.

### **2.3 The role of Accounting on Sustainable Development**

The initial papers regarding socio-environmental accounting initiated in the 1970s (Angotti & Ferreira, 2017), but only in 2000s we start to see some reports regarding a methodology for standardizing indicators that would take into account the environment (UNCTAD, 2000).

In Brazil, the country with the largest biodiversity in the world, shows first appearances of environmental accounting with the attempting to provide standardized norms by addressing “NBC TE Xxx Interação da Entidade com o Meio Ambiente” which was archived... But we can still use the examples of CPCs - Brazilian norms that follow the International Financial Reporting Standards. For example, “CPC 25 – Provisões, Passivos Contingentes e Ativos Contingentes” introduces some accounting for environment by accounting provisions for future payments due to degradation, pollution and other threats to the environment. These provisions are made in a way to

decrease firm risks. They are not made to pursue Sustainable Development. Anyway, it is a temptation to take into account environmental issues. In some sense, no firm will want to decrease its profits creating provisions that can be a bill because of environmental degradation. If firms follow the norms and the legislations, it seems that the Accounting is going to start “blaming” firms for the effects of social and environmental impacts.

Products are going to be more expensive, because the price is going to reflect these costs. Or do we prefer to not to pass this bill to the firm, then we pay less for the product? We have this option, of course, but at any time we can suffer the effects of the environmental degradation, such as air pollution (as we already suffer, for example, in Vitoria – ES with the black powder from Vale, one of the largest logistics operators’ firms in the country).

We would venture to say that this provision is going to start the role of Accounting on the inverse cycle towards Sustainable Development. Accountants seem to play a very important role towards Sustainable Development. But we should not blame accountants for not achieving Sustainable Development yet, but Accounting per se. As accounting needs to present results in short term, it may be difficult to produce Accounting Reports that demand long term reporting. But, if we analyze Accounting, we can find that Accounting does not think only of short term, but also long term. If Accounting does not think of long term, it would not use accruals, but cash regimes. Cash regimes would count for what went in and what went out. Competence regime, based on the concepts of assets and debts permits Accounting to register accounting facts/accounts that will generate some consequence in the future (such as benefices and debt transfers) (IFRS, 2018).

Accountants... since undergrad we are thought of how to “maximize shareholders value”, including lessons about balance scorecard, without considering all the resources (such as environment) that would be necessary to achieve this goal. But it seems that even shareholders, specially from big firms, have perceived that they should do something for the society. “[...] thousands of firms have committed themselves to a purpose larger than profitability, and nearly thirty percent of the world’s financial assets are managed with some kind of sustainability criterion” (Henderson, 2020). Big firms are the ones who can lead Sustainable Development, since they can be named “eternal” as these firms will remain in the market even if they take some risks (Edwards, 1975), such as investing in a Sustainable Development.

In 2019, Larry Fink, the Chairman and CEO of BlackRock, world’s largest financial asset manager, says that firms should deliver not only financial performance, but also show how firm contributes to society. “Companies must be deliberate and committed to embracing purpose and serving all stakeholders – your shareholders, customers, employees, and the communities where you [firms] operate” (Fink, 2020). This letter was sent to the CEOs of all the firms in his portfolio with the idea of long-term prosperity. The letter also presents their investment conviction that “sustainability and climate-integrated portfolios can provide better risk-adjusted returns to investors”.

The temptation to link Sustainability and finance is not a new idea. The World Bank granted United Nations Conference on Trade and Development (UNCTAD) reports in 2000s. UNCTADs report is one of the first ones in Accounting that tries to establish an integration between environmental and financial performance. It shows three pillars to achieve sustainable development based on economic prosperity, environmental quality, and social equity. Also, the report documents some barriers we may face towards sustainable development, such as the lack of business community understanding the concept of “Sustainability”. More than a half of them believed that

“Sustainability” has nothing to do with future generations (UNCTAD, 2000). How could we account for Sustainability if businesspeople and others do not understand the impacts of the firms on sustaining the system which has created or developed our socio-environmental problems?

It seems that the understanding of the idea regarding “Sustainability” (I mean not only the concept, but also its role on humankind lives) has changed. Businesspeople started to take some actions maybe because they became aware of the idea of “Sustainability”. Also, it is possible that the pandemic in 2020 has awoken some minds in the day-by-day life regarding the thought of what is really “needed”. The shift in the mind of businesspeople may explain why seventy banks have already committed to CO2 emissions (PCAF, 2020).

The Partnership for Carbon Accounting Financials (PCAF) was launched with the idea of harmonizing carbon accounting methods to enable financial institutions to measure and disclose greenhouse gas emissions of their investments and loans. But, only one Brazilian bank has committed to disclose the greenhouse gas emissions associated with its portfolio. It seems that the bottom line here is, again, trying to develop a link between Sustainability (avoiding climate change) and finance. But, unfortunately, Brazilians keep them far away from it other.

A singular paper shows us how accountants work could impact firm sustainability. Sometimes, accountants are considered creators of reality. If accountants consider that a chair is real and that the owner of this chair is Firm A, they are going to register it as an asset in the balance sheet. Similarly, if accountants realize that the firm is using a river to dump the waste of the firm, we understand that we should register as a provision, as the firm may pay the bill of the pollution (CPC 25 ou IAS 37). But that is not the truth. Accountants are not creators of reality. If we think something is real, we want to account it. But, if people do not understand it as real or as the “truth” or the “reality”, we will suffer from, example, lobbying, investigations, criticism and public interventions (Ruth, 1998).

To account towards Sustainable Development, we need people to realize that talking about Sustainable Development is essential to solve some of our problems, such as poverty, hunger, and inequality. As SDGs are all linked and its main goal is the achievement of Sustainable Development, we, accountants can be guided by SDGs. We may need to follow the guidance provided by UNCTAD which provide practical information about how each institution can measure SDG indicators (UNCTAD, 2019). The report starts to present a movement to account for Sustainable Development based on the Sustainable Development Goals.

The Sustainable Development Goals include end up with problems regarding social inequality, injustices, prejudice, and corruption, increase health, and education, among other problems that we think can be “more urgent” than others, but actually, they are all interconnected.

### **3. CONCLUSIONS**

We desperately seek to solve out many problems in many different spheres in Brazil, such as social inequality, injustices, prejudice, corruption, lack of health and education. We can blame many for our problems. But we are not going to solve our problems by blaming capitalism, firms, bankers, government, and the society itself. We should take a closer look at what is happening in Brazil and what are the possible solutions for our problems.

One way to try to end the problems in Brazil at the same time is trying to achieve Sustainable Development Goals in which people should live following the idea of Sustainability.

The idea of Sustainability is thinking of the “needs” of others now, and other generations, without compromising the idea in which we understand that people have different “needs”.

United Nations address Sustainable Development at the core of the Sustainable Development Goals. SDGs are important targets that contemplate all the problems we face in Brazil. Pursuing SDGs may solve our problems which Brazilians state as “more urgent” challenges, maybe because some of them do not understand how these challenges are all interconnected.

Accountants may play an important role along the process of achieving Sustainable Development but cannot work alone. We need people to understand that Sustainable Development can solve some of our problems. Not only accountants, but the rest of the society in Brazil should work towards the Sustainable Development. Sustainable Development may be real, and we can play the game to try to achieve it!

We know what should be done, but we must think about what the steps are to achieve a healthier society. Remember that a healthy society must include less inequality, access to health, and education structures for everyone. And, of course, we need sustainable business. Sustainable business may provide the environment we need to achieve sustainable development, by developing a sustainable way to develop their products and services. We are in this system and even if we want to think about maximizing value, we Brazilians, should think about Sustainability and how long-term thinking can benefit the Brazilian society. How about we pursue the “maximization of sustainable value”?

#### 4. REFERENCES

Angotti, M., & Ferreira, A. C. D. S. (2017). Contribuições dos anos 1970 à contabilidade socioambiental e reflexões para pesquisas futuras: um survey com pesquisadores brasileiros.

Bannock, G., & Albach, H. (1987). The Compliance Costs of VAT for Smaller Firms in Britain and Germany. *London: Bannock and Partners*.

Barros, R. P. D. (1995). Os determinantes da desigualdade no Brasil.

Blanc, D. (2015). Towards integration at last? The sustainable development goals as a network of targets. *Sustainable Development*, 23(3), 176-187.

Burgstahler, D., & Dichev, I. (1997). Earnings management to avoid earnings decreases and losses. *Journal of accounting and economics*, 24(1), 99-126.

Bithas, K. (2011). Sustainability and externalities: Is the internalization of externalities a sufficient condition for sustainability? *Ecological Economics*, 70(10), 1703-1706.

Cheng, Q., & Warfield, T. D. (2005). Equity incentives and earnings management. *The accounting review*, 80(2), 441-476.

CFC, Conselho Federal de Contabilidade (2016). Normas Brasileiras de Contabilidade. NBC TE XXX Interação da Entidade com o Meio Ambiente. Retrieved from: [https://cfc.org.br/wp-content/uploads/2016/02/NBC\\_TE\\_INTERACAO\\_DA\\_ENTIDADE\\_MEIO\\_AMBIENTE.pdf](https://cfc.org.br/wp-content/uploads/2016/02/NBC_TE_INTERACAO_DA_ENTIDADE_MEIO_AMBIENTE.pdf)

Consani, C. F., & de Alencar Xavier, Y. M. (2016). Considerações a respeito da relação entre justiça intergeracional, democracia e sustentabilidade. *Nomos: Revista do Programa de Pós-graduação em Direito da UFC*, 36(1).

da Costa Lima, G. F. (2009). Educação, sustentabilidade e democracia: explicitando a diversidade de projetos político-pedagógicos. *Desenvolvimento e Meio Ambiente*, 20.

Ferre, F. L. (2015). Ecofeminismo, democracia e sustentabilidade. *Seminário Internacional Demandas Sociais e Políticas Públicas na Sociedade Contemporânea*.

Domingo, A. B., Sancho, F. H., & Senante, M. M. (2016). A review of Payment for Ecosystem Services for the economic internalization of environmental externalities: A water perspective. *Geoforum*, 70, 115-118.

Edwards, R. C. (1975). Stages in corporate stability and the risks of corporate failure. *The Journal of Economic History*, 35(2), 428-457.

Fink, L. "A Fundamental Reshaping of Finance", Black Rock. Retrived from <https://www.blackrock.com/hk/en/larry-fink-ceo-letter>

Friedman, M. (2009). *Capitalism and freedom*. University of Chicago press.

Fearnside, P. M. (1997). Serviços ambientais como estratégia para o desenvolvimento sustentável na Amazônia rural. *Meio Ambiente, Desenvolvimento Sustentável e Políticas Públicas*. São Paulo, SP: Editora Cortez. 436pp, 314-344.

Gabbioneta, C., Greenwood, R., Mazzola, P., & Minoja, M. (2013). The influence of the institutional context on corporate illegality. *Accounting, Organizations and Society*, 38(6-7), 484-504.

Gorton, G., & Winton, A. (2003). Financial intermediation. In *Handbook of the Economics of Finance* (Vol. 1, pp. 431-552). Elsevier.

Guimarães, A. S. A. (2004). Preconceito de cor e racismo no Brasil. *Revista de antropologia*, 47(1), 9-43.

Henderson, R. (2020). *Reimagining Capitalism in a World on Fire*. Hachette UK.

Hines, R. D. (1988). Financial accounting: in communicating reality, we construct reality. *Accounting, organizations and society*, 13(3), 251-261.

IFRS, International Financial Reporting Satndards (2018). Conceptual Framework for Financial Reporting.

Klein, R. (2006). Como está a educação no Brasil? O que fazer?. *Ensaio: avaliação e políticas públicas em educação*, 14(51), 139-171.

Lenzi, C. L. (2010). Democracia, justiça e cultura política da sustentabilidade. *Disponibile en Septiembre de*.

Loss, M. M. M., da Silva Zolet, L. A., & Pires, C. (2015). Globalização, Democracia e Sustentabilidade: Como Resolver a Equação?. *Revista Jurídica Cesumar-Mestrado*, 15(1), 129-152.

Nassif-Pires, L., de Lima Xavier, L., Masterson, T., Nikiforos, M., & Rios-Avila, F. (2020). *Pandemic of inequality* (No. ppb\_149). Levy Economics Institute.

Nilsson, M., Griggs, D., & Visbeck, M. (2016). Policy: map the interactions between Sustainable Development Goals. *Nature*, 534(7607), 320-322.



Noronha, E. G. (2003). " Informal", ilegal, injusto: percepções do mercado de trabalho no Brasil. *Revista brasileira de ciências sociais*, 18(53), 111-129.

PCAF (2020). Partnership for Carbon Accounting Financials. Retrieved from: <https://www.carbonaccountingfinancials.com>

Rizek, C. S. (2018). Jessé de Souza-A elite do atraso: da escravidão à Lava-Jato: À guisa de um debate.

Rodrigues, A. (2008). *Gerenciamento da informação contábil e regulação: evidências no mercado brasileiro de seguros*(Doctoral dissertation, Universidade de São Paulo).

Scarano, F. 2019. Contradições nas Raízes dos Objetivos doo Desenvolvimentos Sustentável. Retrieved from: <http://www.comciencia.br/contradicoes-nas-raizes-dos-objetivos-do-desenvolvimento-sustentavel/>

Schwartzman, S., & Brock, C. (2005). Os desafios da educação no Brasil. *Os desafios da educação no Brasil. Rio de Janeiro: Nova Fronteira*, 9-51.

Speck, B. W. (2012). O financiamento político e a corrupção no Brasil. *Temas de corrupção política. São Paulo: Balão Editorial*, 49-97.

Stearns, P. N. (2006). *Consumerism in world history: The global transformation of desire*. Routledge.

Pretty, J., Brett, C., Gee, D., Hine, R., Mason, C., Morison, J., ... & Dobbs, T. (2001). Policy challenges and priorities for internalizing the externalities of modern agriculture. *Journal of environmental planning and management*, 44(2), 263-283.

Travassos, C., Viacava, F., Fernandes, C., & Almeida, C. M. (2000). Desigualdades geográficas e sociais na utilização de serviços de saúde no Brasil. *Ciência & Saúde Coletiva*, 5, 133-149.

UNCTAD, ISAR (2019). Guidance on core indicators for entity reporting on contribution towards implementation of the Sustainable Development Goals.

UNCTAD, United Nations Conference on Trade Development (2000). Integrating Environmental and Financial Performance at the Enterprise Level: A Methodology for Standardizing Eco-efficiency Indicators.

Vermesan, O., & Friess, P. (Eds.). (2013). *Internet of things: converging technologies for smart environments and integrated ecosystems*. River publishers.

Wood, E. M. (2003). O que é (anti) capitalismo. *Revista Crítica Marxista*, 17.