Worldwide support found for measuring true wealth of nations

Hazel Henderson

Hazel Henderson is the President, Founder of Ethical Markets Media, LLC, St Augustine, Florida, USA.

Abstract

Purpose – *The purpose of this paper is to present a survey by GLOBESCAN for Ethical Markets Media, LLC which was released at the ''Beyond GDP'' Conference in the European Parliament, 19-20 November.*

Design/methodology/approach – *The methodology is survey based.*

Findings – *Three-quarters of people in ten countries agree that their governments should look beyond economics and include health, social and environmental statistics in measuring national progress.*

Originality/value – *This paper is contrary to the accepted view of appropriate national growth measures.*

Keywords *Economic forecasting, Economic growth, Economic reform, Social economics*

Paper type *Viewpoint*

The ''Beyond GDP'' Conference in the European Parliament, 19-20 November 2007, released a survey by GLOBESCAN for Ethical Markets Media, LLC, which finds three-quarters of people in ten countries agreeing that their governments should look beyond economics and include health, social and environmental statistics in measuring national progress. The survey can be accessed at www.ethicalmarkets.com, www.globescan.com and at the conference web site www.beyond-gdp.eu

Around 1,000 respondents in France, Italy, Britain, Germany, Russia, Brazil, India, Canada, Australia and Kenya were asked which of two points of view was closest to their own:

1. that governments should measure national progress using money-based statistics because economic growth is the most important focus for their country; or
2. that health, social and environmental statistics are as important as economic ones and that governments should also use these for measuring progress.

Support is especially strong in mature industrial societies in the European Union. French and Italians are most enthusiastic with 86 percent and 85 percent support respectively. The British agreed with the ''Beyond GDP'' approach by 80 percent; Germans by 71 percent. Three of the so-called BRIC countries showed similar support: Brazilians approved by 69 percent, Russians by 75 percent and Indians by 70 percent. While China was not surveyed, it led the world in 2004 by unveiling China's ''Green GDP'' which sought to adjust China's economic model to take more account of its environmental and social consequences.

This ''Green GDP'' was popular with Chinese people suffering from pollution and land grabs by developers. Original ''Green GDP'' calculations deducted some 3 percent from China's reported 11 percent growth of conventional GDP, used by virtually all other countries and financial media. Chinese business leaders and local officials whose performance is still

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judged by conventional GDP growth objected. These controversies were enough to halt the ''Green GDP'' experiment. However, with health costs and fears of pollution keeping athletes and visitors away from the upcoming Olympic games in Beijing in 2008, China may have to revive its ''Green GDP.''

In other countries in the GLOBESCAN survey, Australians agreed with the ''Beyond GDP'' position by 79 percent, Canadians by 65 percent and Kenyans by 71 percent. Earlier surveys in 1993 by the Americans Talk Issues Foundation found similar super-majorities in favor of broadening GDP to include health, education and other social and environmental indicators.

In spite of pressure from civic groups which first erupted in 1992 at the UN's Earth Summit in Rio de Janeiro, governments have dragged their heels in implementing Agenda 21 which called for correcting their GDP scorecards by including social and environmental indicators. However, the 170 governments which signed on ran into domestic opposition from business and financial groups benefiting from GDP which ignores those social and environmental cost of production. GDP, as the broad measure of a nation's production of goods and services as priced in the market, is the sum of corporate balance sheets which also ignore the social and environmental costs incurred. In economic jargon, these costs are ''externalities'' which accountants can ignore and which are ''externalized'' to taxpayers, society and future generations.

Statistical bureaus were caught in the middle of these conflicts, between powerful ministries of economics, finance, trade and central banks and the weaker ministries of social welfare, health, education and environment. Thus, the growing data on social and environmental costs of production and business-as-usual were sidelined and relegated to ''satellite accounts'' which were naturally ignored as less important than GDP-growth.

Meanwhile, many socially and environmentally responsible companies began in the 1980s to include these social costs in their accounting and investment decisions. These enhanced accounting practices expand the single money-based bottom line to the new ''triple bottom line'' (people, planet, profit) used today by over 600 global corporations. These practices reduce risks that might be lurking over their balance sheets by ignoring or ''externalizing'' the social and environmental costs of their operations. Examples of financial firms using enhanced accounting and risk analysis include:

- Global Reporting Initiative, Amsterdam, The Netherlands.
- Innovest Strategic Value Advisors, International, Toronto, Canada.
- Domini Social Investments, USA.
- Vigeo, France.
- Sustainable Asset Management, Zurich, Switzerland.
- Swiss Reinsurance, Zurich, Switzerland.
- Calvert Group, USA.
- Generation Investment Management, UK.
- EcoSecurities, Brazil and UK.
- ASRIA, Hong Kong.
- Friends Provident, London, UK.
- Triodos Bank, The Netherlands and UK.
- Rabobank, International, The Netherlands.

Today, financial groups promoting enhanced environmental, social and ethical reporting include:

- UN Global Compact – 3,000 companies worldwide.
- UN Principles of Responsible Investment –$10 trillion in assets.

- Carbon Disclosure Project – $41 trillion in assets, UK.
- CERES – $3.7 trillion in assets, USA.
- The Equator Principles – used by banks worldwide.
- Social Investment Forum – $2.3 trillion in assets with over 500 member practitioners and institutions, USA.
- ChinaCSR.com – reporting on corporate social responsibility.
- Instituto Ethos – member companies total 37 percent of Brazil's economy.
- Environmental Markets Association, UK.
- Enhanced Analytics Initiative – $2.5 trillion in assets, UK.

So the question is why have macro-economists not yet made these same adjustments to GDP? While GDP continues to ''externalize'' all those social and environmental costs, it keeps blinding politicians and government officials to all their risks to society: from global warming, epidemics and resource depletion to poverty gaps, and social exclusion.

All these issues were debated at the ''Beyond GDP'' conference, and many new proposals are expected outcomes. The initiative for the ''Beyond GDP'' conference came from the European Commission and Environment Commissioner Stavros Dimas, joined by Eurostat and the OECD's statistical bureau as well as civic groups – the WorldWide Fund for Nature and the Club of Rome, long-time champion of correcting GDP.

I was honored to represent the Club of Rome on the Beyond GDP Organizing Committee, and my company Ethical Markets Media LLC, producer of the TV series ''Ethical Markets'' on PBS station in the USA, funded the GLOBESCAN survey. Our current TV special is ''Growing the Green Economy.'' While an advisor to the Calvert Group of socially-responsible mutual funds in the USA, I also co-created the Calvert-Henderson Quality of Life Indicators on display at the European Parliament's Exhibition Hall where we shared a booth with Jacksonville's Quality Indicators for Progress, with ample support from JCCI's Ben Warner and two of our distinguished Research Advisory Board: Dr Carol Spalding and Dr. Francis Koster. Others on our Advisory Board who made contributions to Beyond GDP included Professor Zhouying Jin, Chinese Academy of Social Sciences, Dr Tachi Kiuchi and Dr Norio Yamamoto from Japan.

Hundreds of new and more inclusive indicators of national progress were represented, such as the Indicators of Social and Economic Welfare ISEW), the Canadian Index of Wellbeing (CIW), the Genuine Progress Index (GPI), the Happy Planet Index (HPI), and the Gross National Happiness (GHI) of Bhutan. Many other exhibits included the Ecological Footprint, the Living Planet Index, the World Bank's Wealth of Nations Index as well as indices from Brazil and a presentation by Thais Corral of our Advisory Board and Director of REDEH in Rio de Janeiro, who hosted the ICONS conference on implementing all these new indicators in Curitiba in 2003. Other regions and cities have gone ahead and produced their own indicators, including Sao Paulo, Brazil, Seattle and, of course, Jacksonville, Florida.

The dam has burst, and public pressure has finally forced this long-overdue ''Beyond GDP'' debate into the open. Will we allow entrenched economic interests to continue benefiting from faulty GDP-measured growth or will broader measures of progress steer countries toward sustainable forms of true wealth and progress?