



Beyond GDP: Operationalizing Indicators of Sustainability and Quality of Life

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After over 30 years, the subject of correcting our systems of National Accounts enshrined in United Nations statistics as UNSNA, **i.e., GNP and GDP,** is on the agenda in many countries.

- Invented by Simon Kuznets in 1934 but never intended to be a measure of overall national progress
- Senator Robert F. Kennedy's speech at the University of Kansas in 1968



I have focused on the problem of GDP and GNP indexes and their false measures of "growth" since founding Citizens for Clean Air in New York City in 1964.

- GNP/GDP treated air and water as "free" in economic texts
- Citizens for Clean Air took Senator Robert Kennedy on a helicopter ride around NYC in 1967 to show him the air pollution and ask him to help us focus on correcting GDP.
- My speech at NABE, "Economist vs. Ecologist," was published in the Business Section of the New York Times, 1971.



**In my article in Financial Analysts Journal
"The Limits of Traditional Economics", May 1973,
I laid out what parameters would be needed to
manage economies sustainably.**

- I helped found the Public Interest Economics Center in Washington in 1974.
- I testified before the US House and Senate on the Congressional Budget Office in 1975 as a member of the US Office of Technology Assessment.
- I helped organize NGOs' proposals for correcting GNP/GDP at the Earth Summit in 1992, getting Article 40 into Agenda 21, signed by 170 nations.



FAST FORWARD

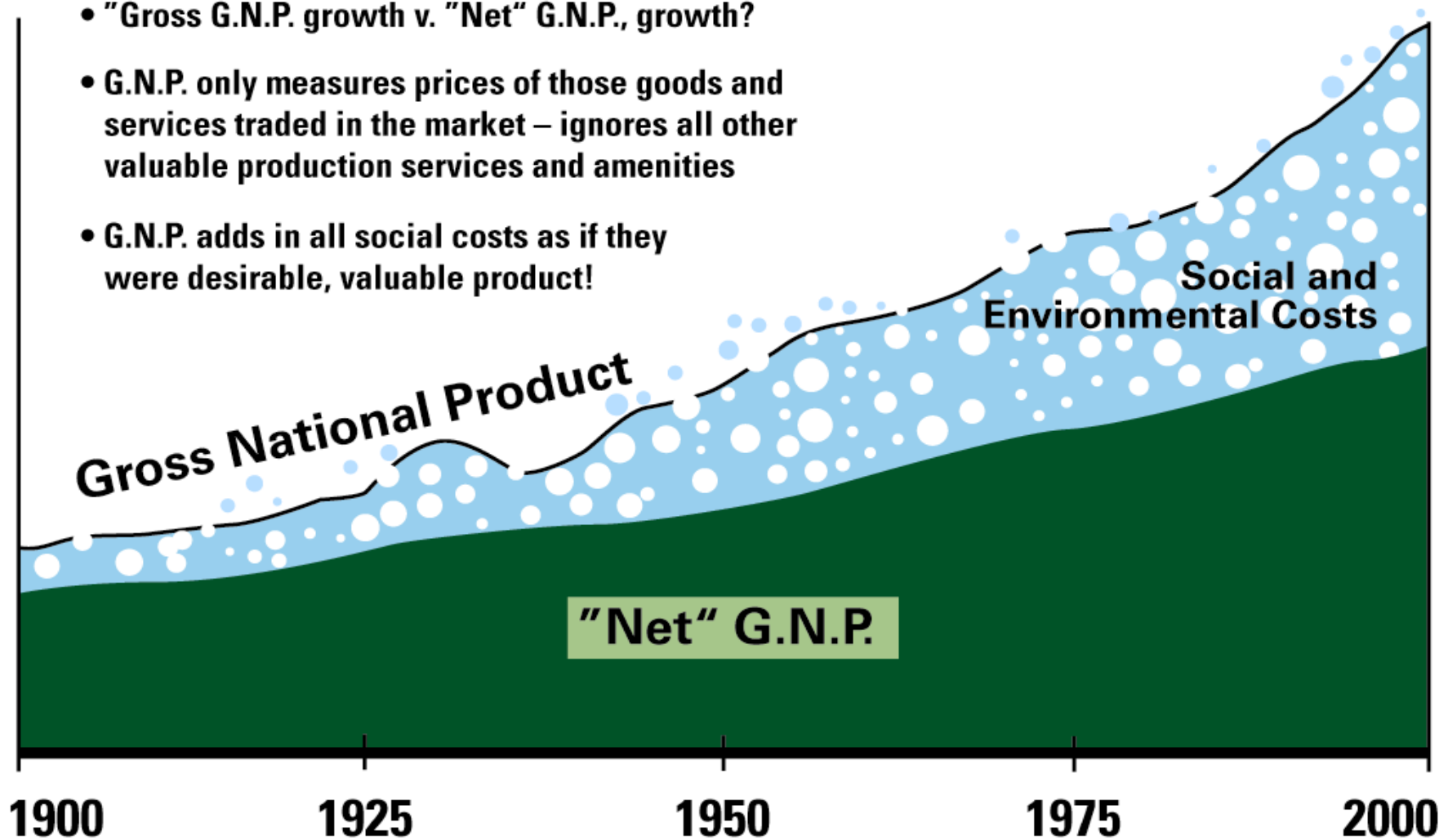
Nine books and hundreds of articles and speeches later, **STILL NO PROGRESS!**

Why?

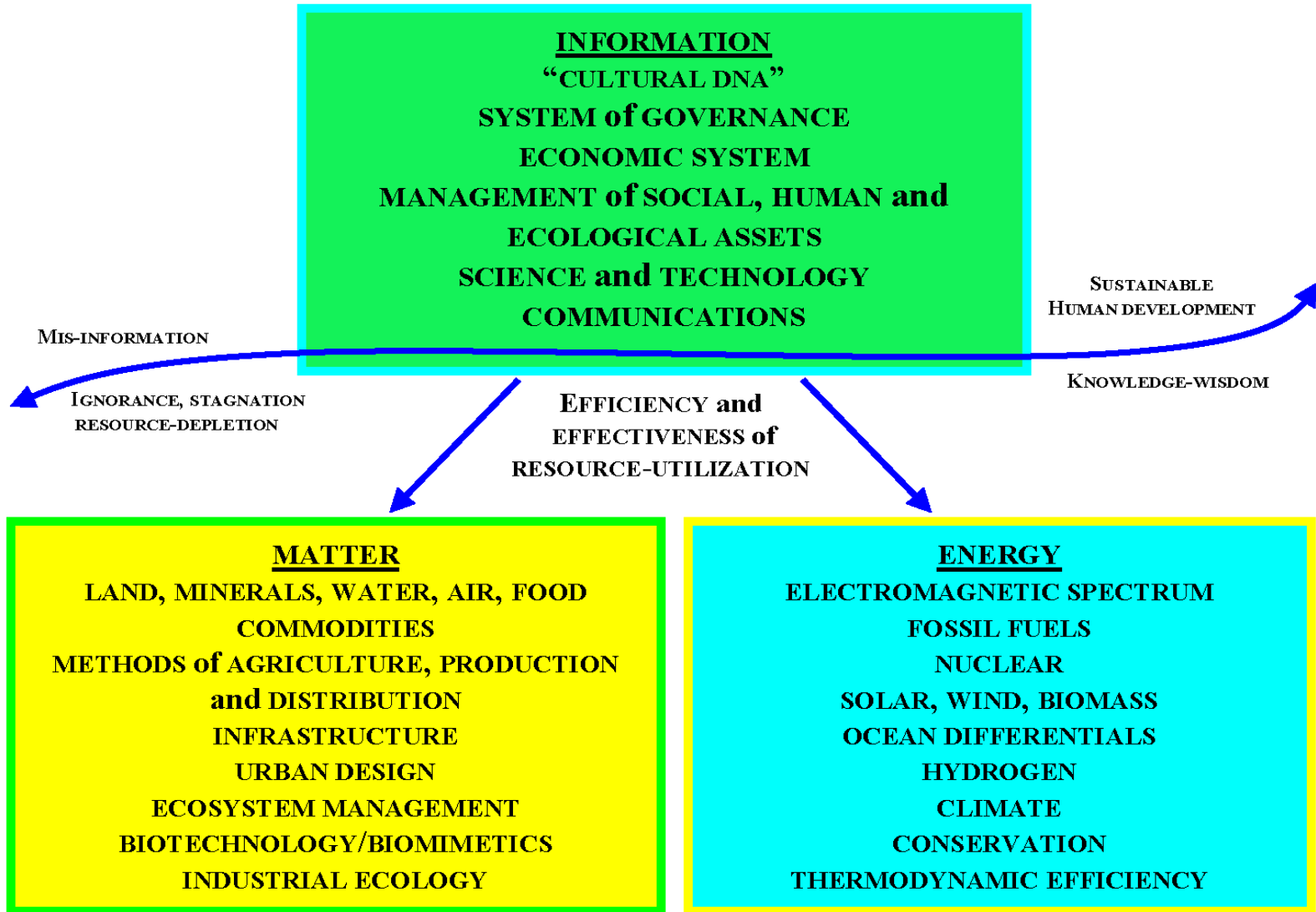
- Powerful economic interests don't want GNP/GDP changed.
- Economists and statisticians don't want to write off their intellectual investments, change their textbooks and courses.
- Strong ministries: central banks, economic development, trade promotion, commerce departments, business and financial agencies dismiss the "beyond GDP" debate.
- Mass media slavishly repeat GDP while editors and reporters don't understand it very well.

Gross National Product Problems

- "Gross G.N.P. growth v. "Net" G.N.P., growth?"
- G.N.P. only measures prices of those goods and services traded in the market – ignores all other valuable production services and amenities
- G.N.P. adds in all social costs as if they were desirable, valuable product!



3 MODES OF RESOURCE-USE IN NATIONAL DEVELOPMENT





Recent conferences on New Indicators

- **Taking Nature into Account**, European Parliament, Brussels, with Club of Rome and WWF, 1995
- **NRTEE**, Ottawa 2001
- **Quality of Life**, Frankfurt, Germany, 2002
- **ICONS**, Curitiba, Brasil, 2003, attended by 700 statisticians and business leaders (see “Statisticians of the World Unite” at www.HazelHenderson.com)
- **Gross National Happiness**, Thimpu, Bhutan, 2004
- **2nd Conference on Gross National Happiness**, Halifax, Nova Scotia, 2005
- **Measuring National Progress**, Istanbul, 2007, attended by 1300 statisticians from 120 countries; Roy Romanow keynoted with Canada’s “Index of Wellbeing.”
- **Beyond GDP Conference**, European Parliament, Nov. 19-21, 2007, www.beyond-gdp.eu
- **U.S. Senate “Rethinking GDP”**, March 12, 2008

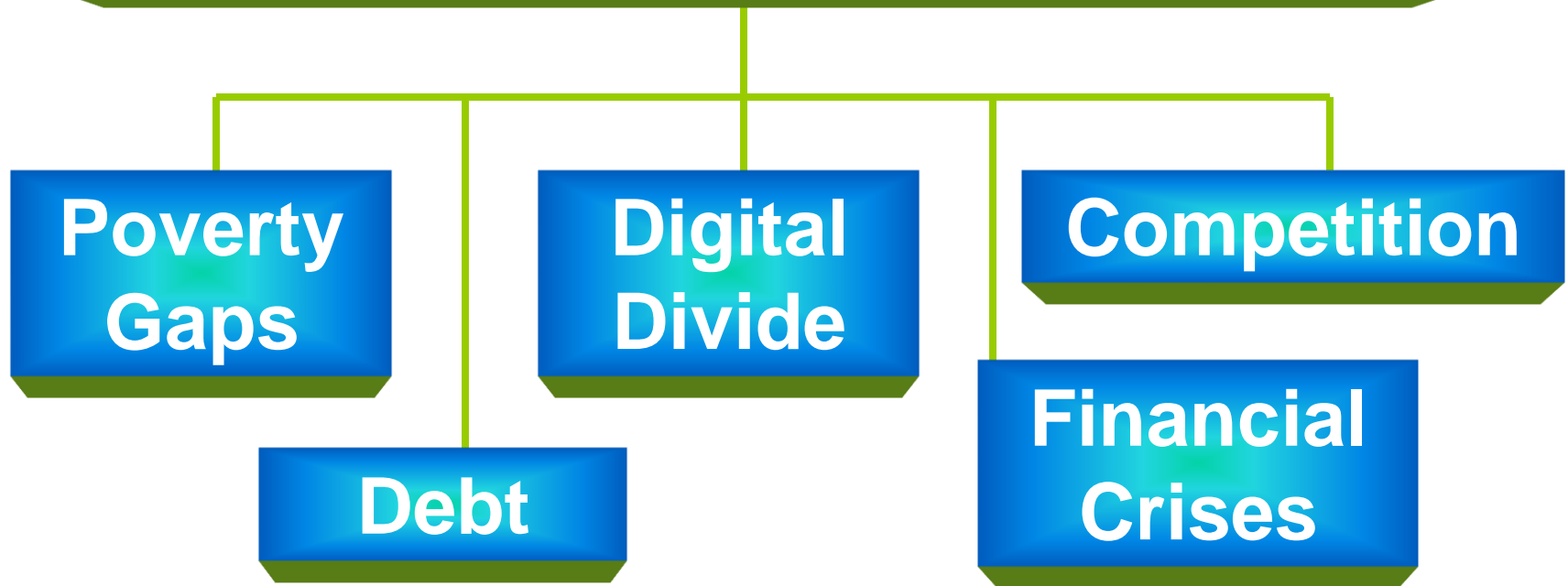


Why has the discipline & profession of economics – particularly macroeconomics – been so resistant to incorporating knowledge from other relevant disciplines: **ecology, physics, biology, thermodynamics, anthropology, neurosciences, sociology?**

- Key apologist for powerful institutions and special interests: **central banking, finance, fossil-fuel industrialism and its dominance over key sectors** – energy, agriculture, chemicals, automobiles, pharmaceuticals, construction, infrastructure and the commercial mass media they support with their advertising.
- Dominance of departments of Economics, Business and Finance in academia.
- Colonization of public policy across most agencies of government from budgeting, tax policy, bank and securities oversight to agencies regulating environment, food, agriculture, commerce, etc. (**e.g., economic impact statements trump social, environment, health, safety, education expenditures**).
- Powerful trade associations and professional guilds.

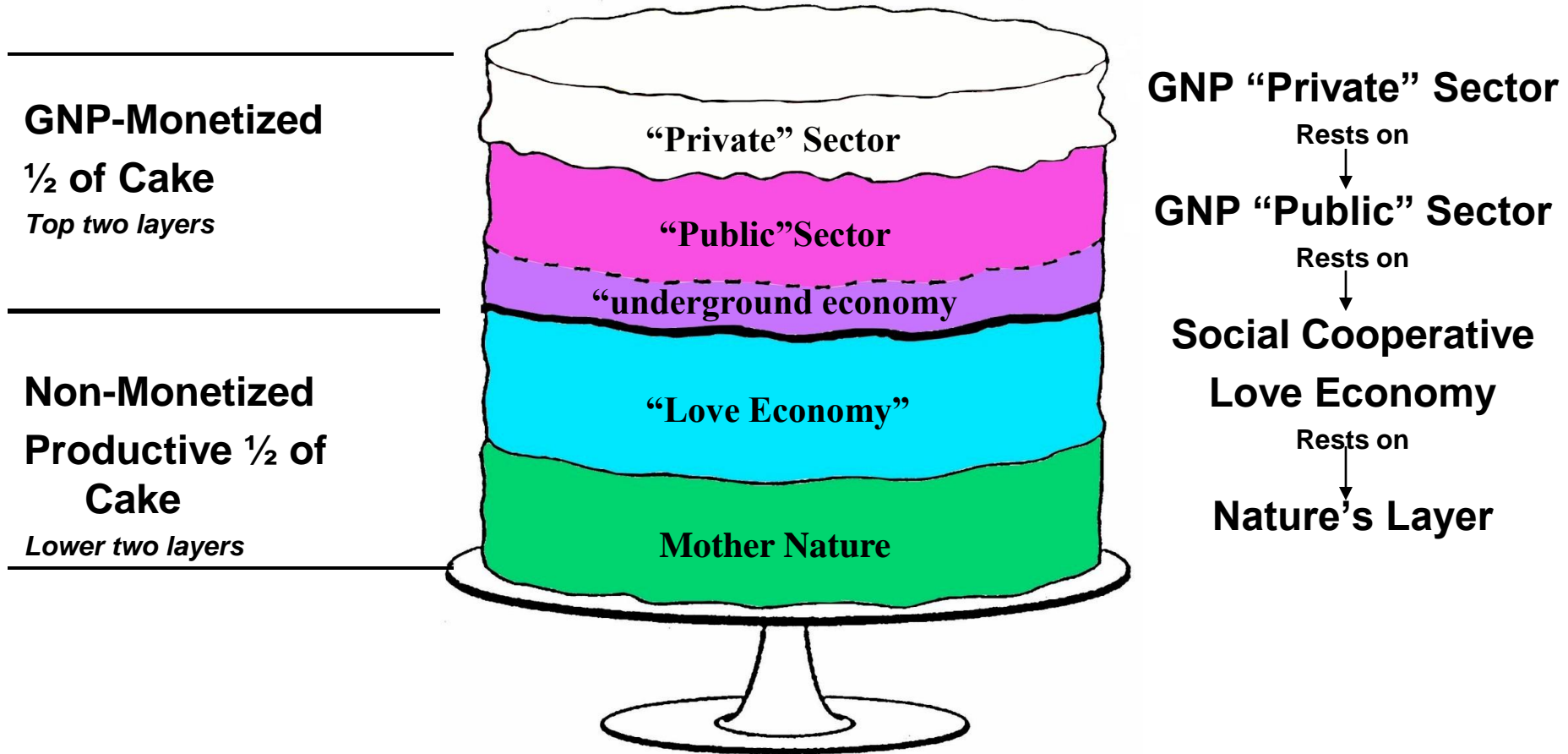


BANKRUPTCY OF ECONOMIC MODELS OF GROWTH



Total Productive System of an Industrial Society

(Layer Cake With Icing)



CALVERT-HENDERSON

QUALITY OF LIFE INDICATORS



A NEW TOOL FOR ASSESSING NATIONAL TRENDS

TWO MAIN WAYS OF TRANSACTING

Money Based

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Money Economy

Information-Based

Love Economy

- Cooperation
- Barter-Mutual Aid

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EVOLUTION OF HUMAN UNDERSTANDING OF THE ROLE OF MONEY AND OTHER MEDIUMS OF EXCHANGE

(2000 and beyond)

Money-systems augmented by pure information-based trading systems
transition from Industrial Era to "green" info-rich economies of the Solar Age.

Crisis of fossil-fueled Industrialism (1973-2008)
floating fiat currencies - money as paper banknotes and electronic blips

Late-Industrial Period (1900s-1973)
Gold standard-based money for international transactions

Early Industrial Period (1700s-1900s)
silver and gold (transactions mostly nation-state based)

Preindustrial societies (3000 BC –
1700s) clay tablets, shells, cattle,
metal tokens

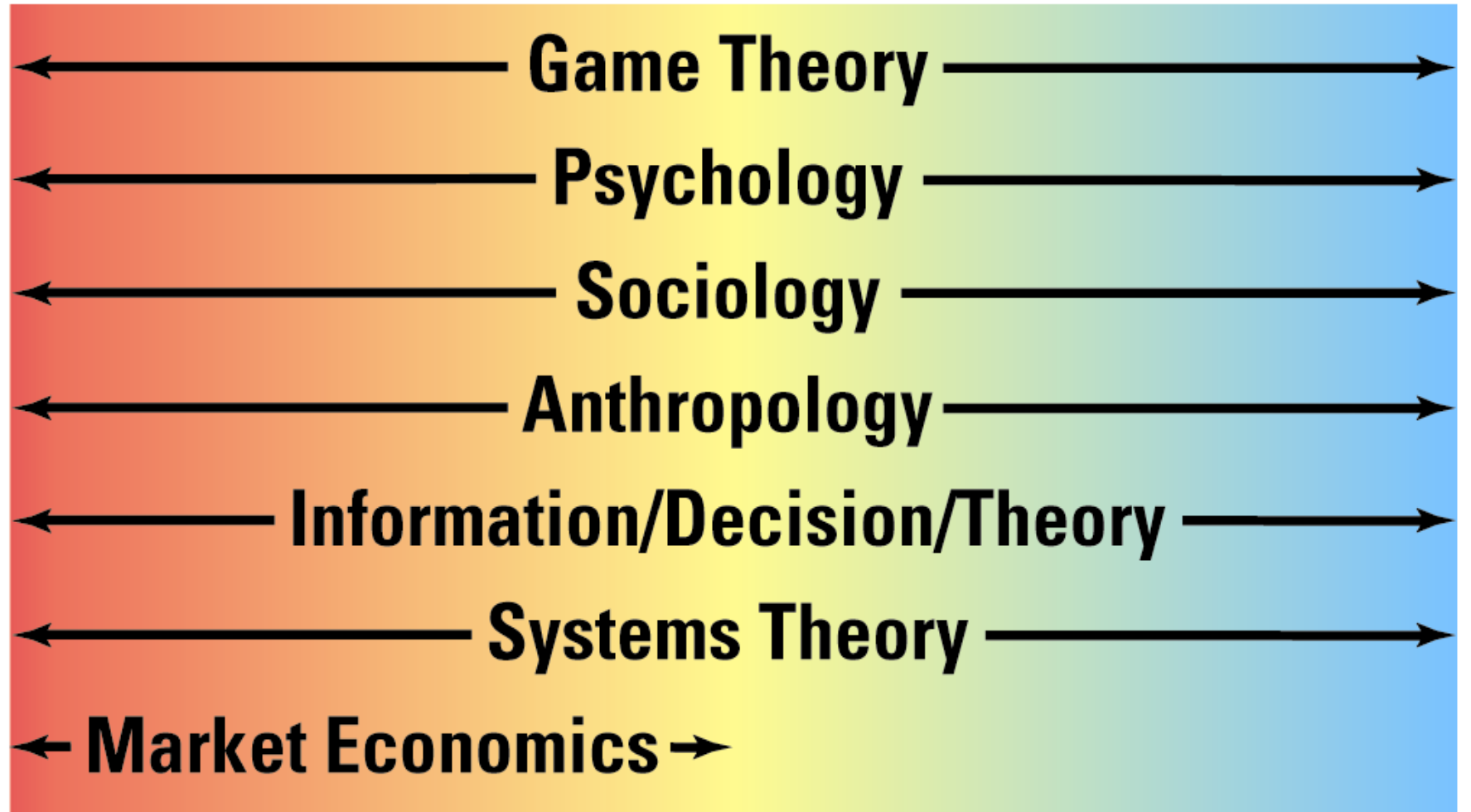


Today, Scientific research from many fields is now

- Invalidating economic theory of human rationality: “maximizing self-interest in competition with all others”
- Re-thinking the “Washington Consensus”

Repertoire of Human Behavior

Conflict ← *Competition* *Cooperation* → *Sharing*





Enhanced Analytics Avoid Risk

- Internalizes social and environmental costs and risks in company accounts and financing data
- Reduces “Black Swan” risks: “externalities blindness”
see Nassim Taleb, [The Black Swan](#) (2007)
- Improves management foresight
- Improves overall corporate performance
- Enhances company brands and reputation
- Shifts production and technologies toward sustainability



Examples of Financial Firms Using Enhanced Accounting and Risk Analysis

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



Finance Groups Promoting Enhanced Environmental, Social, Ethical Reporting

- UN Global Compact – 3000 companies worldwide
- UN Principles of Responsible Investment – \$17 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% Brasil's economy
- Environmental Markets Association, UK
- Enhanced Analytics Initiative – \$2.5 trillion in assets, UK



Ethical Markets: Growing the Green Economy

Hazel Henderson ETHICAL MARKETS



Growing the Green Economy

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Based on the Acclaimed Public Television Series

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- * the economy
- * jobs
- * the environment
- * society
- * climate protection

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