Beyond GDP: Operationalizing Indicators of Sustainability and Quality of Life

HAZEL HENDERSON, D.Sc.Hon., FRSA
President, Ethical Markets Media LLC
Author, Ethical Markets: Growing the Green Economy

ISE/CHRMS Breakfast Seminar Series    October 16, 2009
Fairleigh Dickinson University
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.

- 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


• 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!

©1978 Hazel Henderson • Source: Creating Alternative Futures, 1978, 1996, Kumarian Press, West Hartford, CT, USA
3 MODES OF RESOURCE-USE IN NATIONAL DEVELOPMENT

INFORMATION
“CULTURAL DNA”
SYSTEM of GOVERNANCE
ECONOMIC SYSTEM
MANAGEMENT of SOCIAL, HUMAN and
ECOLOGICAL ASSETS
SCIENCE and TECHNOLOGY
COMMUNICATIONS

MATTER
LAND, MINERALS, WATER, AIR, FOOD
COMMODITIES
METHODS of AGRICULTURE, PRODUCTION
and DISTRIBUTION
INFRASTRUCTURE
URBAN DESIGN
ECOSYSTEM MANAGEMENT
BIOTECHNOLOGY/BIOIMMETICS
INDUSTRIAL ECOLOGY

ENERGY
ELECTROMAGNETIC SPECTRUM
FOSSIL FUELS
NUCLEAR
SOLAR, WIND, BIOMASS
OCEAN DIFFERENTIALS
HYDROGEN
CLIMATE
CONSERVATION
THERMODYNAMIC EFFICIENCY

Mis-information
IGNORANCE, STAGNATION
RESOURCE-DEPLETION

Efficiency and
effectiveness of
RESOURCE-UTILIZATION

Sustainable
Human development
Knowledge-wisdom

© 2001, Hazel Henderson
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.”


• **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.

© Hazel Henderson 2007
BANKRUPTCY OF ECONOMIC MODELS OF GROWTH

- Poverty Gaps
- Digital Divide
- Competition
- Debt
- Financial Crises

© Hazel Henderson 2005
Total Productive System of an Industrial Society
(Layer Cake With Icing)

GNP-Monetized
1/2 of Cake
Top two layers

Non-Monetized
Productive 1/2 of Cake
Lower two layers

 GNPs “Private” Sector
Rests on

GNPs “Public” Sector
Rests on

Social Cooperative
Love Economy
Rests on

Nature’s Layer

“Private” Sector
“Public” Sector
“underground economy”

“Love Economy”

Mother Nature

“Private” Sector

“Public” Sector

“underground economy”

“Love Economy”

Mother Nature

All rights reserved.
Copyright© 1982 Hazel Henderson
CALVERT-HENDERSON
QUALITY OF LIFE INDICATORS

A NEW TOOL FOR ASSESSING NATIONAL TRENDS
TWO MAIN WAYS OF TRANSACTING

Money Economy

- Cooperation
- Barter-Mutual Aid

Information-Based

Love Economy

Money Based

Currency Symbols: ¥, $, £, €
EVOLUTION OF HUMAN UNDERSTANDING OF THE ROLE OF MONEY AND OTHER MEDIUMS OF EXCHANGE

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

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

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

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

(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.

© Hazel Henderson 2008
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”

© Hazel Henderson 2005
Repertoire of Human Behavior

Conflicts → Competition → Cooperation → Sharing

- Game Theory
- Psychology
- Sociology
- Anthropology
- Information/Decision/Theory
- Systems Theory
- Market Economics

©1997 Hazel Henderson. All rights reserved.
Enhanced Analytics Avoid Risk

• Internalizes social and environmental costs and risks in company accounts and financing data
• Improves management foresight
• Improves overall corporate performance
• Enhances company brands and reputation
• Shifts production and technologies toward sustainability

© Hazel Henderson 2007
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

Now the win-win approach for:

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

www.ethicalmarkets.com/ethicalmarketsbook