

R-ISEW:

measuring what matters & transforming policy

Birmingham, 27 January 2010

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nef (the new economics foundation)



economics
real wealth
means well-being



environment
lifestyles must
become sustainable

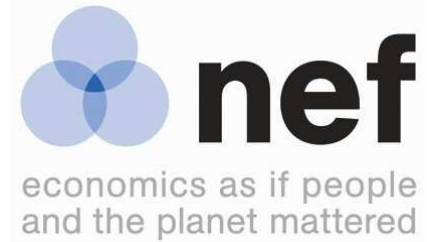


society
communities need
power and influence

Overview

- A bit about NEF
- Environmental limits
- The problem with GDP
- R-ISEW
 - How does it work?
 - Findings
- What next?

NEF



- Independent think (& do) tank founded in 1986
- Inspired by 3 principles
 - Ecological Sustainability
 - Social Justice
 - People's Well-being
- UK ISEW – 1994
- ***centre for well-being*** formed 2005
- ***nef consulting*** launched 2008
- ***new economics institute*** formed 2010

Environmental limits to growth

- GTR model assumptions
 - Global fair deal
 - Very optimistically assume 450ppm CO₂ is needed to keep temperature rise below 2°C.
 - Together this would require a 36 fold reduction in UK emissions from 617 to 17 Mt
 - The maximum possible reduction in energy usage across the economy is estimated to be 9.5 fold from today
 - The maximum possible reduction in the energy intensity of output is estimated to be 2.8 fold from today

The magic numbers...

- GDP in 2050 would need to fall by 25% from £1.38 tr. today to £1.025 tr. by 2050
- Given projected population growth, this equates to GDP per capita falling to £14,250 from £22,360.

Doom and gloom?

- Cutbacks? Yes, *but...*
 - GDP is a very poor indicator of what makes for a good society
 - Original purpose of GDP was as a production indicator for a war-time economy
 - It counts everything, including many things that are not good for us...

Kennedy Quote - 1968

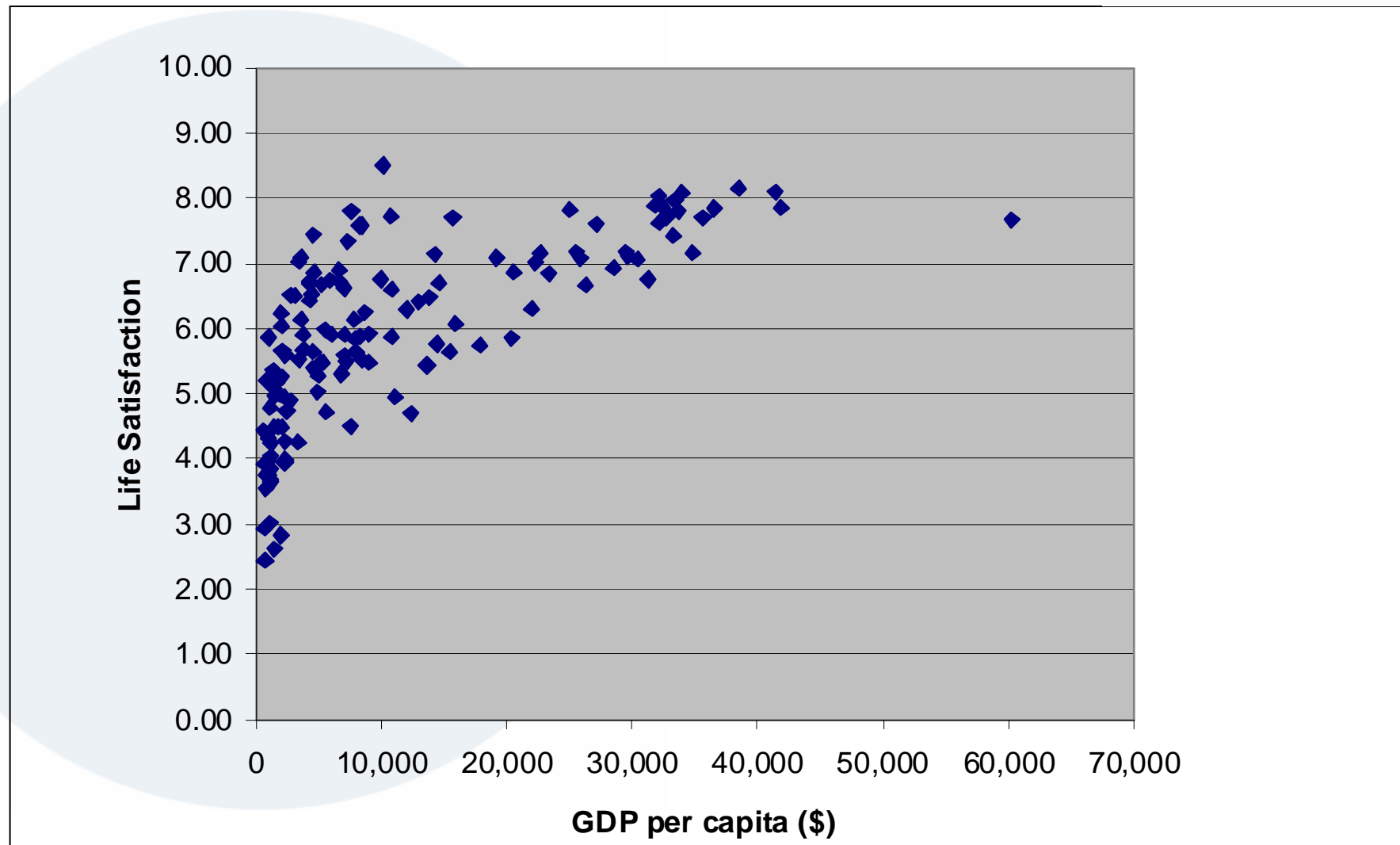
‘The Gross National Product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them... It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl... Yet the gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials... it measures everything, in short, except that which makes life worthwhile.’

Robert Kennedy, Kansas, 18th March 1968

Can less be more?

- Reduce those things that do not contribute to our well-being, e.g. crime
- *BUT what happens to our growth-focused economy?*
 - Macro-economic model for de-growth is missing piece of puzzle
- GDP \neq societal well-being

GDP and life satisfaction



Measurement matters

- Measurement reflects and *shapes* priorities
- So, if our goal is an economy that delivers for society and the planet, we need a better measure than GDP
- Increasing recognition
 - Stiglitz Commission, OECD *Measuring Progress of Societies*, EU *Beyond GDP*

French Stiglitz Commission

‘There is a huge distance between standard measures of important socio economic variables like growth, inflation, inequalities etc...and widespread perceptions...Our statistical apparatus, which may have served us well in a not too distant past, is in need of serious revisions.’ *Amartya Sen, Joseph Stiglitz and Jean-Paul Fitoussi*

ISEW

- Adjusted GDP measure
- First calculated by **nef** for the UK in 1994
- Collaboration with Prof Tim Jackson, University of Surrey
- R-ISEW is the regional variant
 - Annual calculations available 1990-2006
 - EMDA-led consortium of RDAs
 - Ongoing updates + methodological review

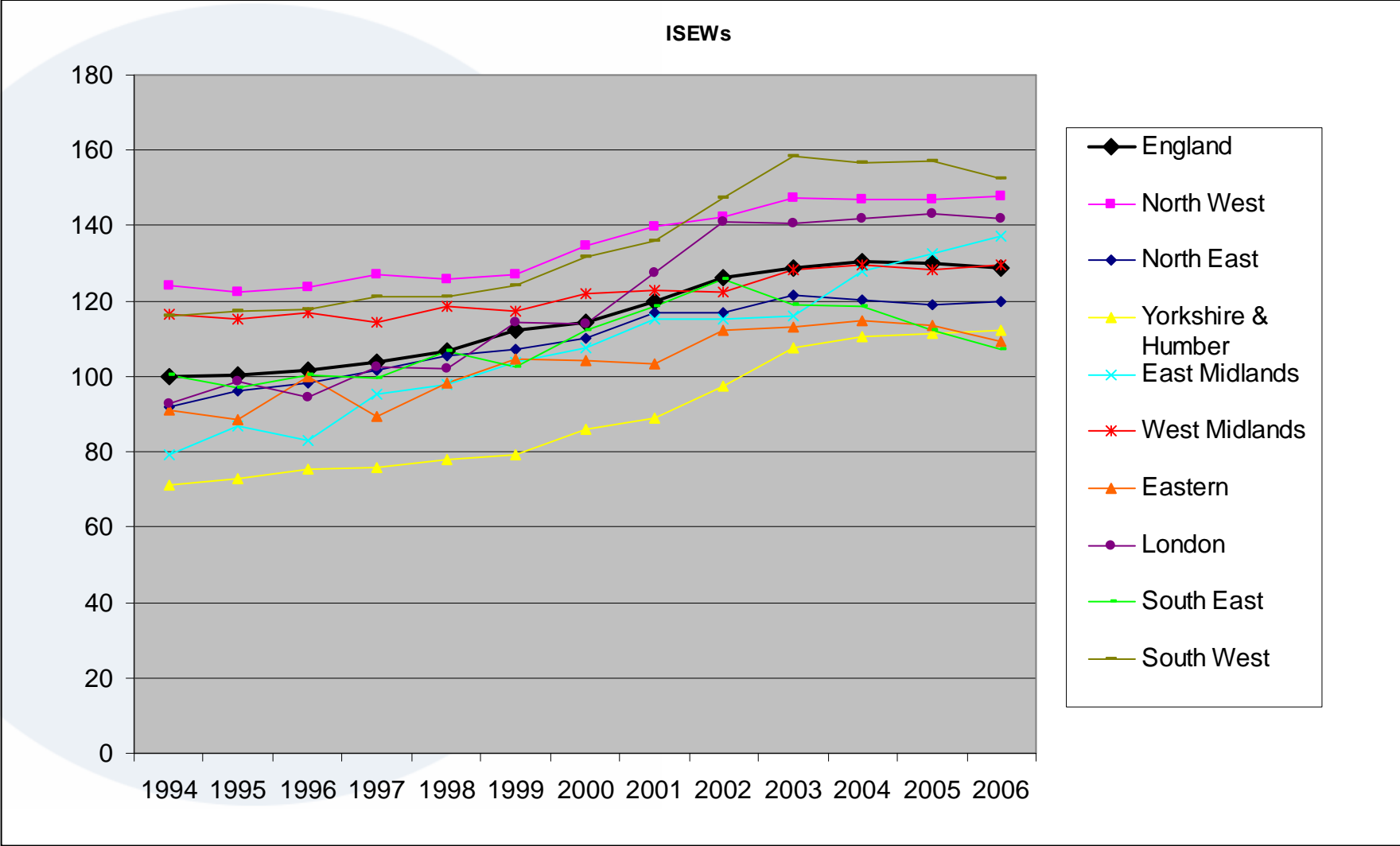
ISEW critique of GDP

- Failure to account for non-monetarised costs and benefits (eg household labour, environmental degradation);
- Failure to account for capital depreciation;
- Failure to account for natural and human capital;
- Failure to account for income distribution;
- Failure to account for 'defensive' expenditures;
- Well-being is not the same as wealth.

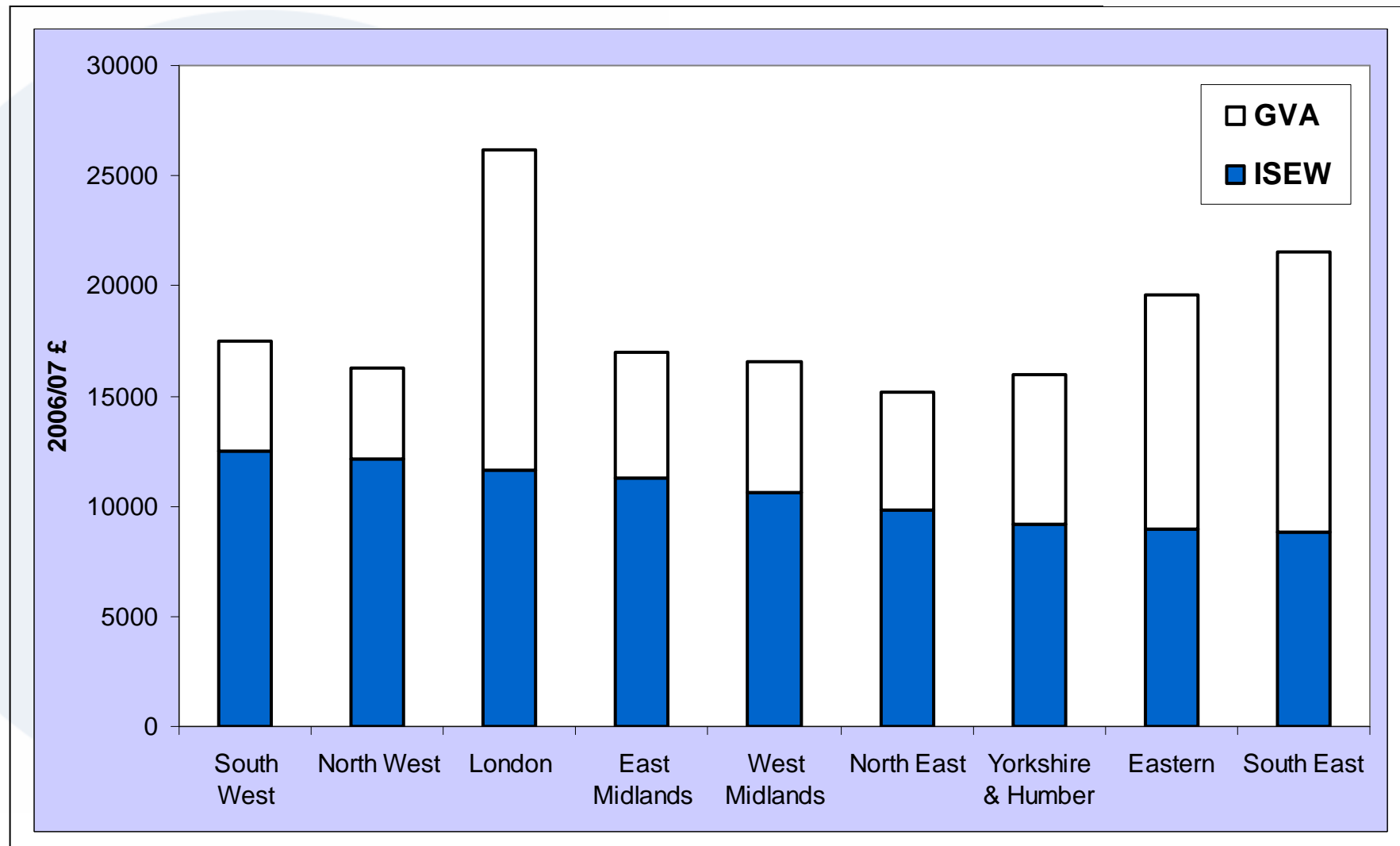
ISEW Adjustments

1. Adjust personal consumption to account for inequalities.
2. Add in public expenditure on health and education;
3. Account for domestic labour (and volunteering);
4. Adjust for service flow from consumer durables;
5. Subtract environmental emission costs;
6. Subtract social costs: family breakdown, crime
7. Subtract 'defensive' expenditures: commuting, car accidents and personal pollution control;
8. Subtract depreciation of natural capital: land loss, resource depletion etc;
9. Account for long term climate change costs;
10. Adjust for net capital growth and net international position.

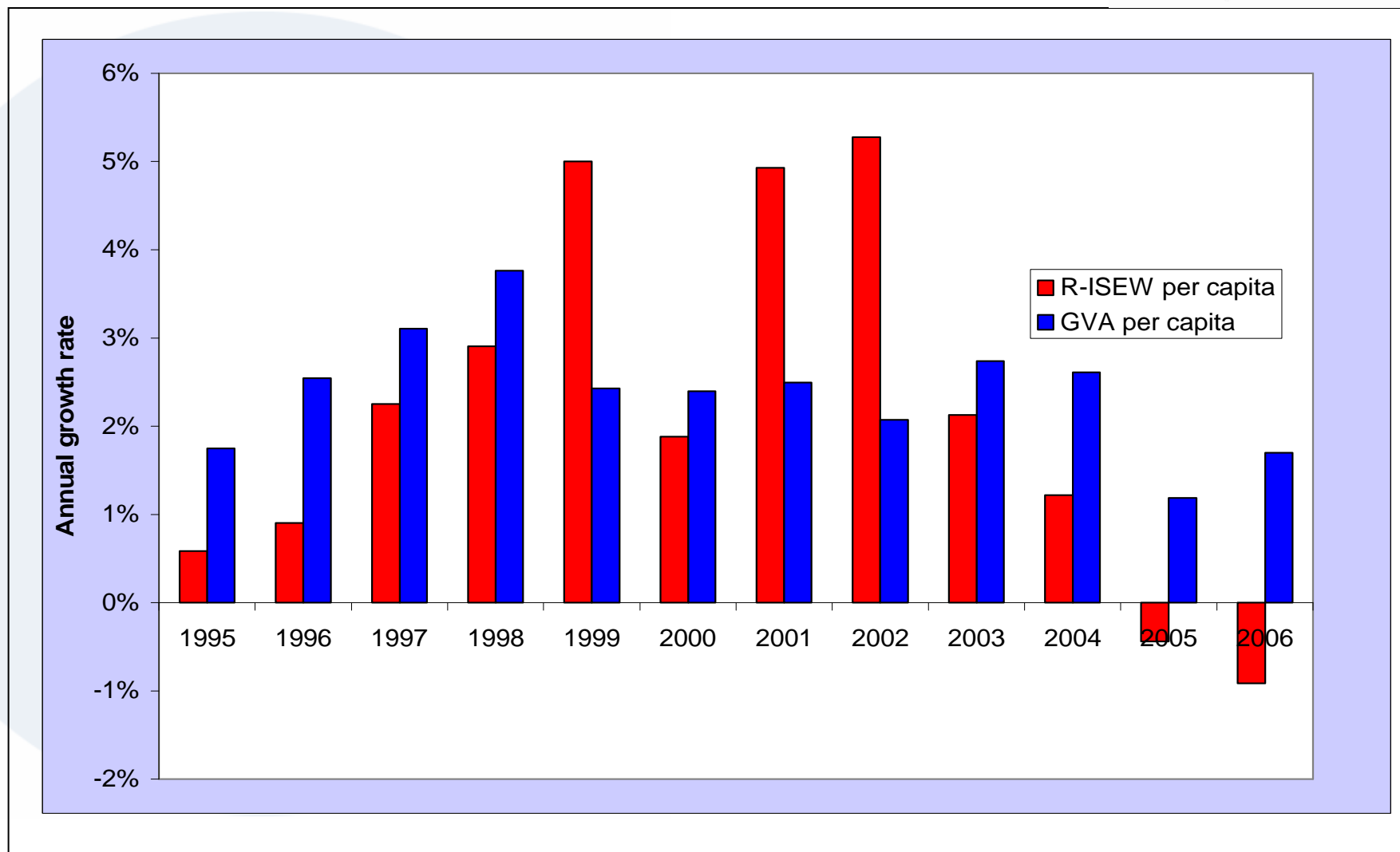
R-ISEWs



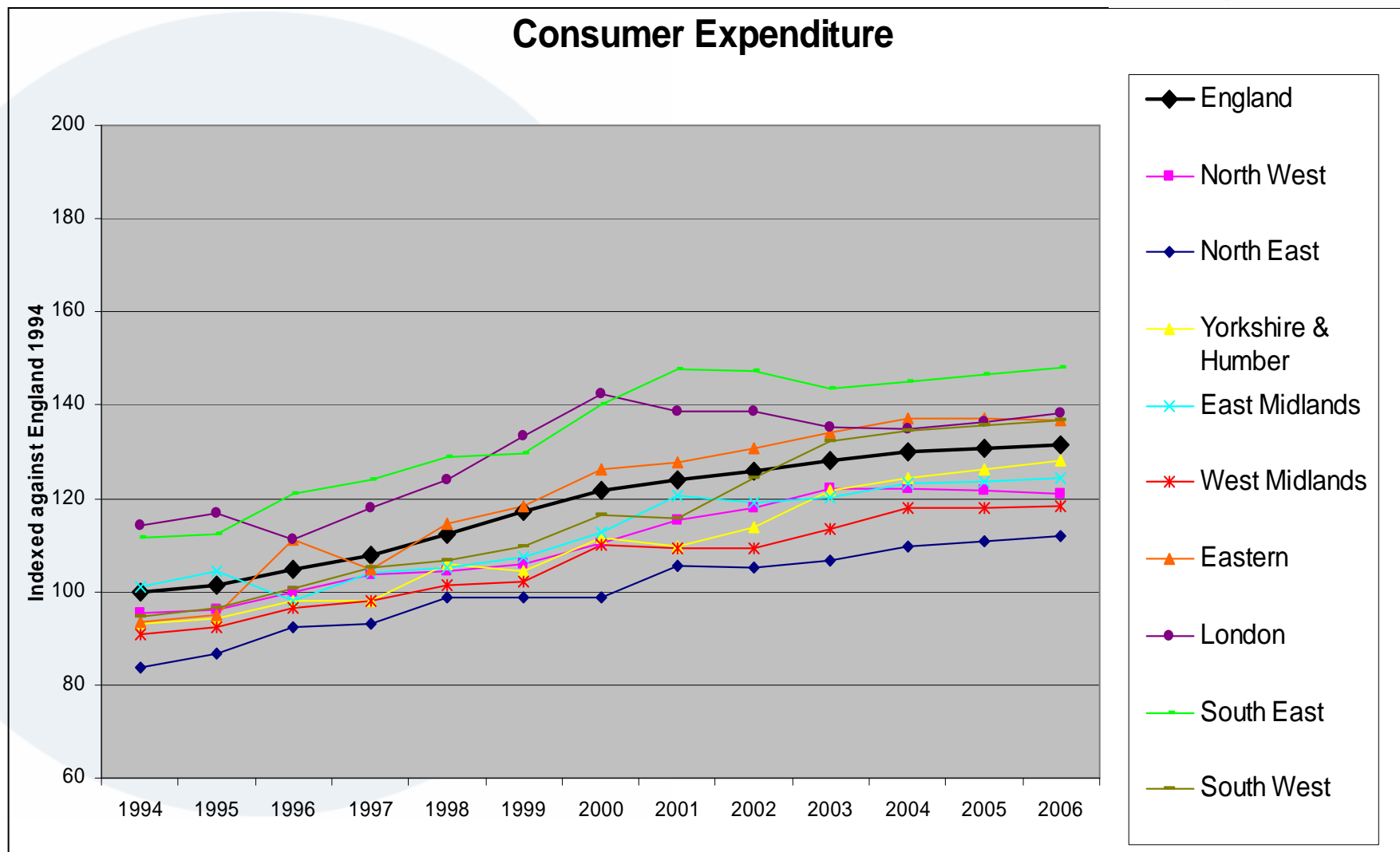
R-ISEW & GVA by region: 2006



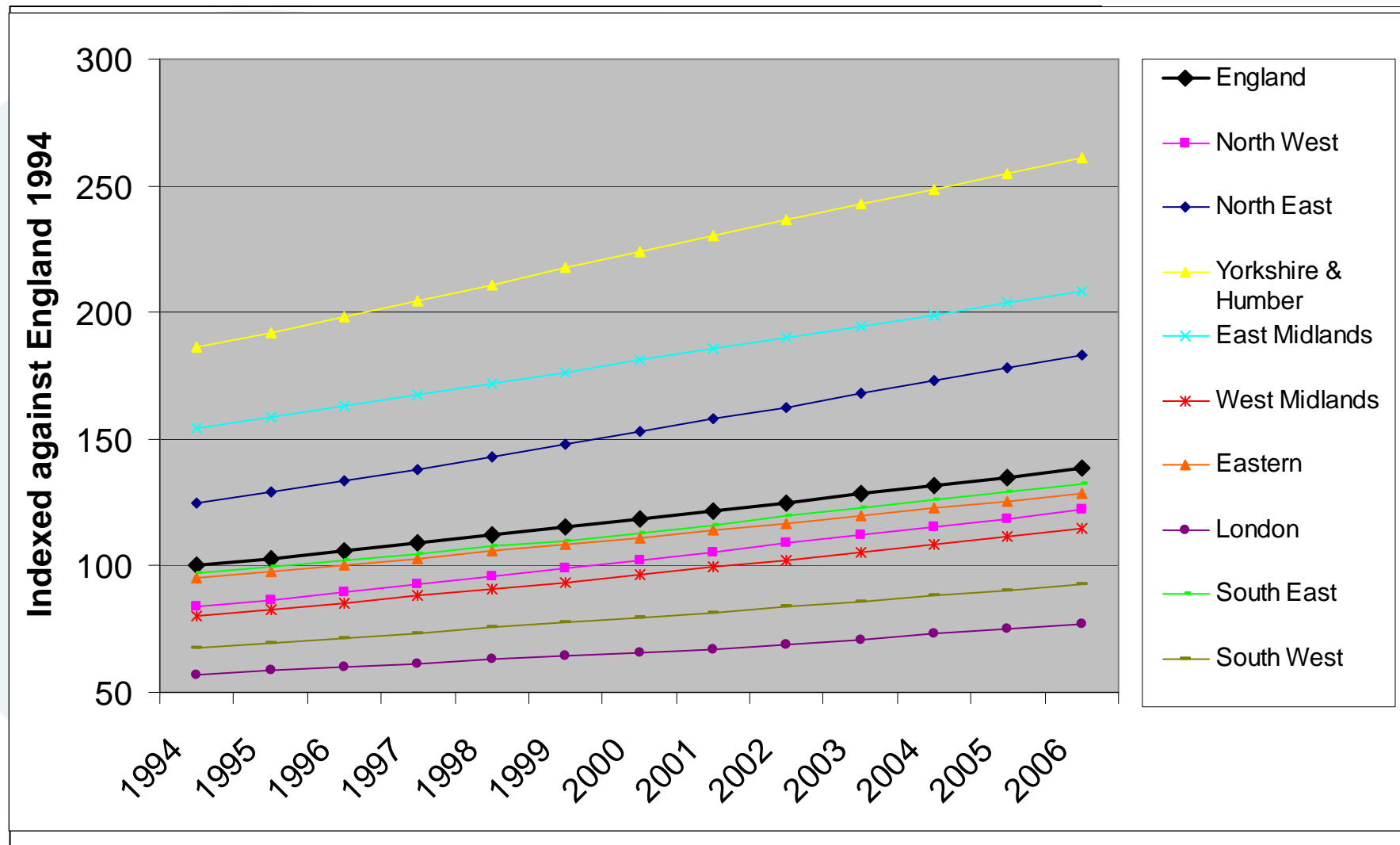
R-ISEW & GVA growth rates



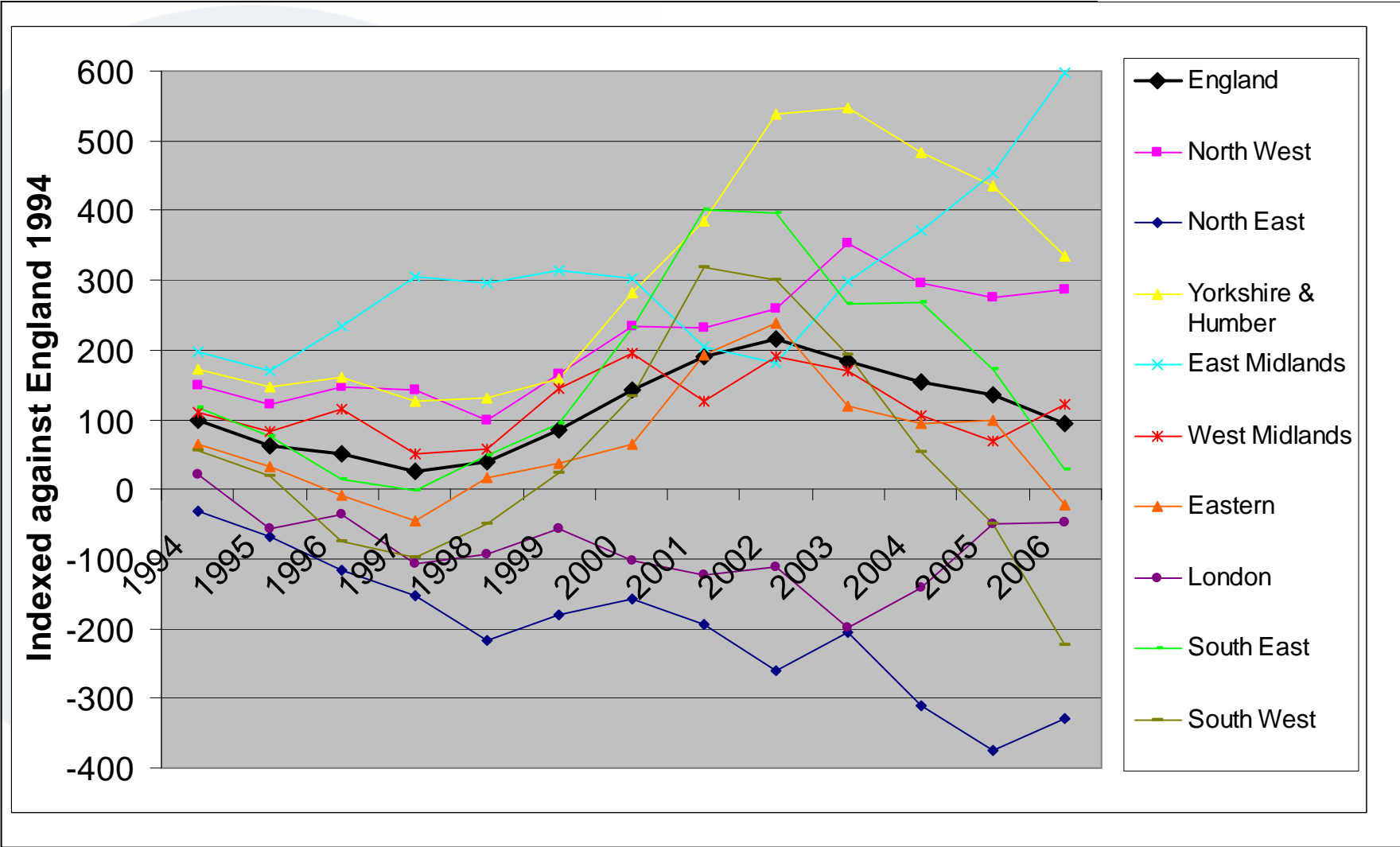
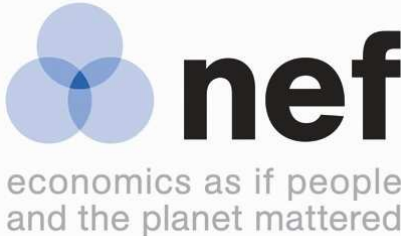
R-ISEWs – key trends



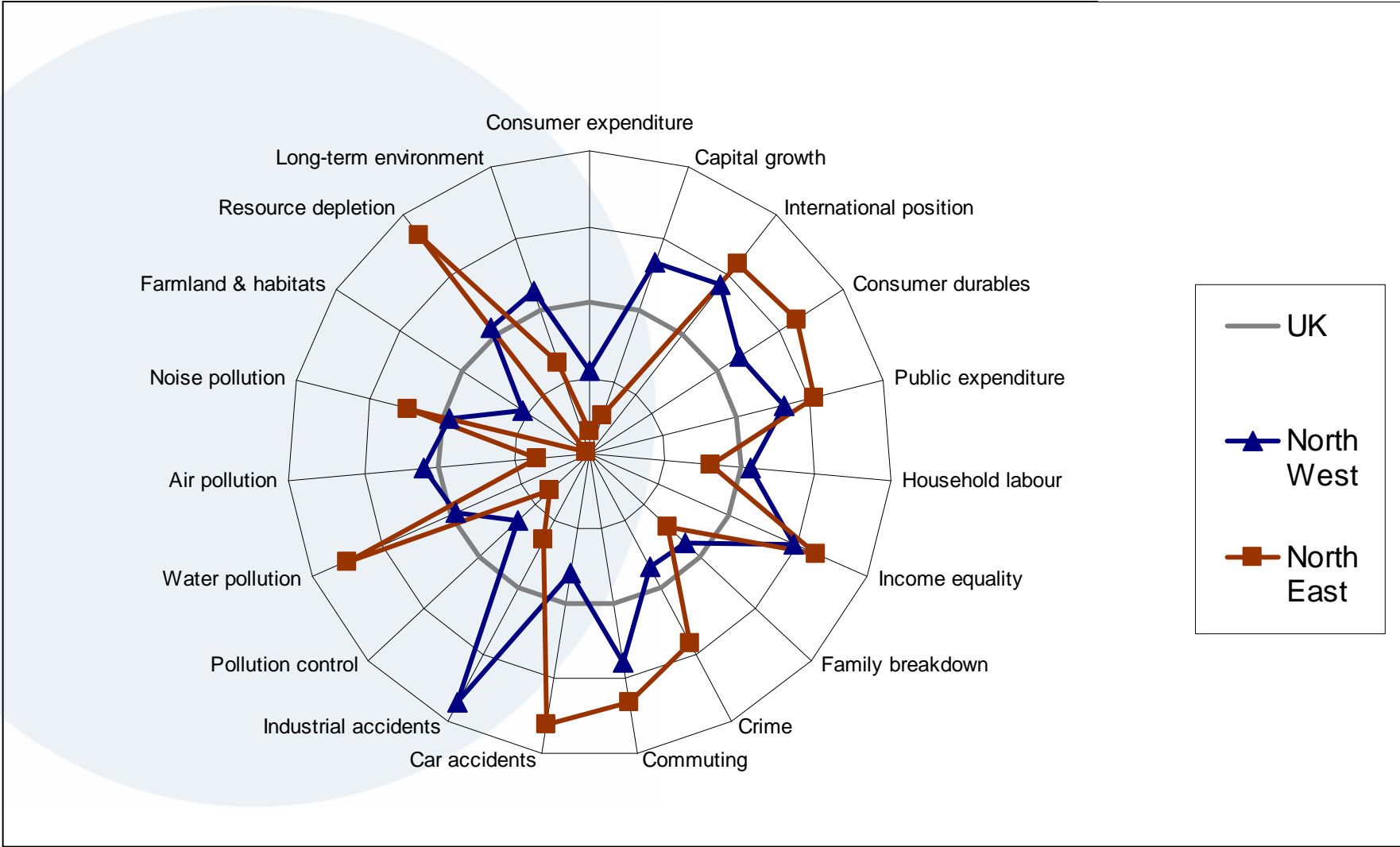
R-ISEWs – Long Term Environmental Damage



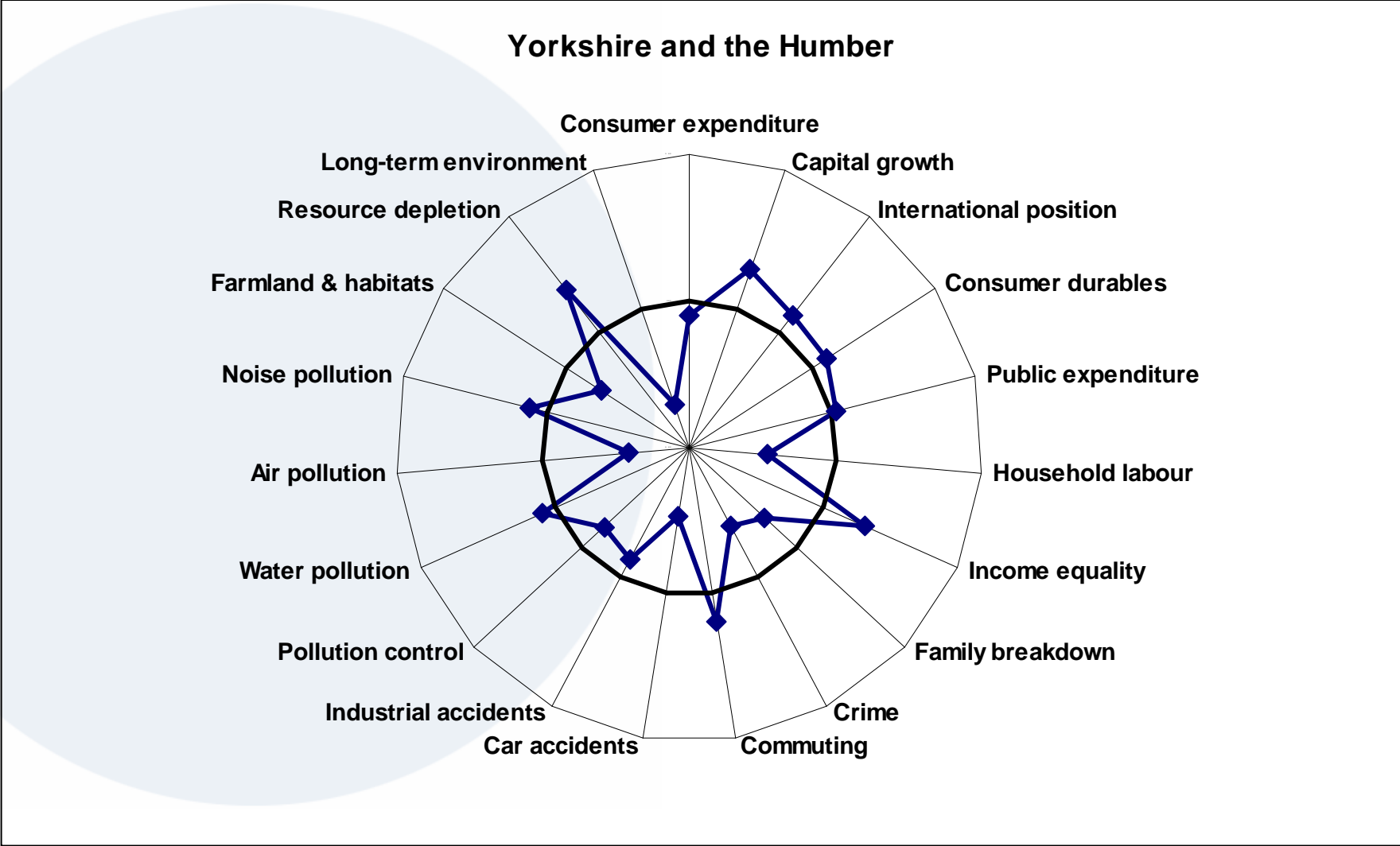
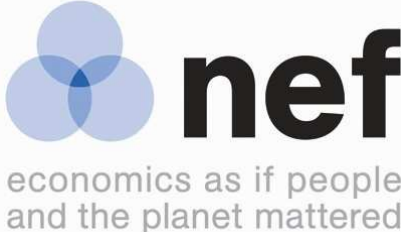
R-ISEWs – Net Increase in Capital Stock



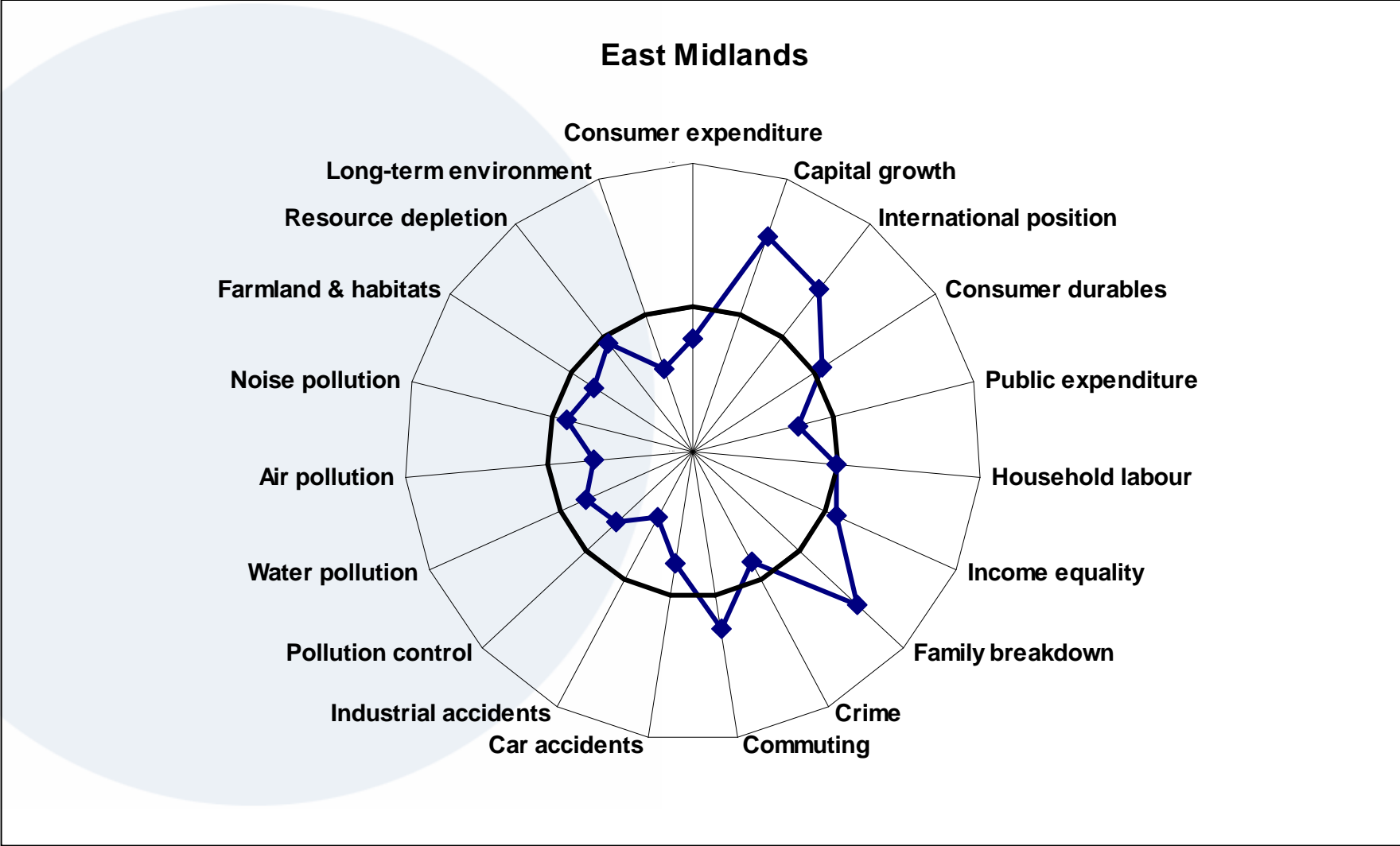
R-ISEW by component – for North West



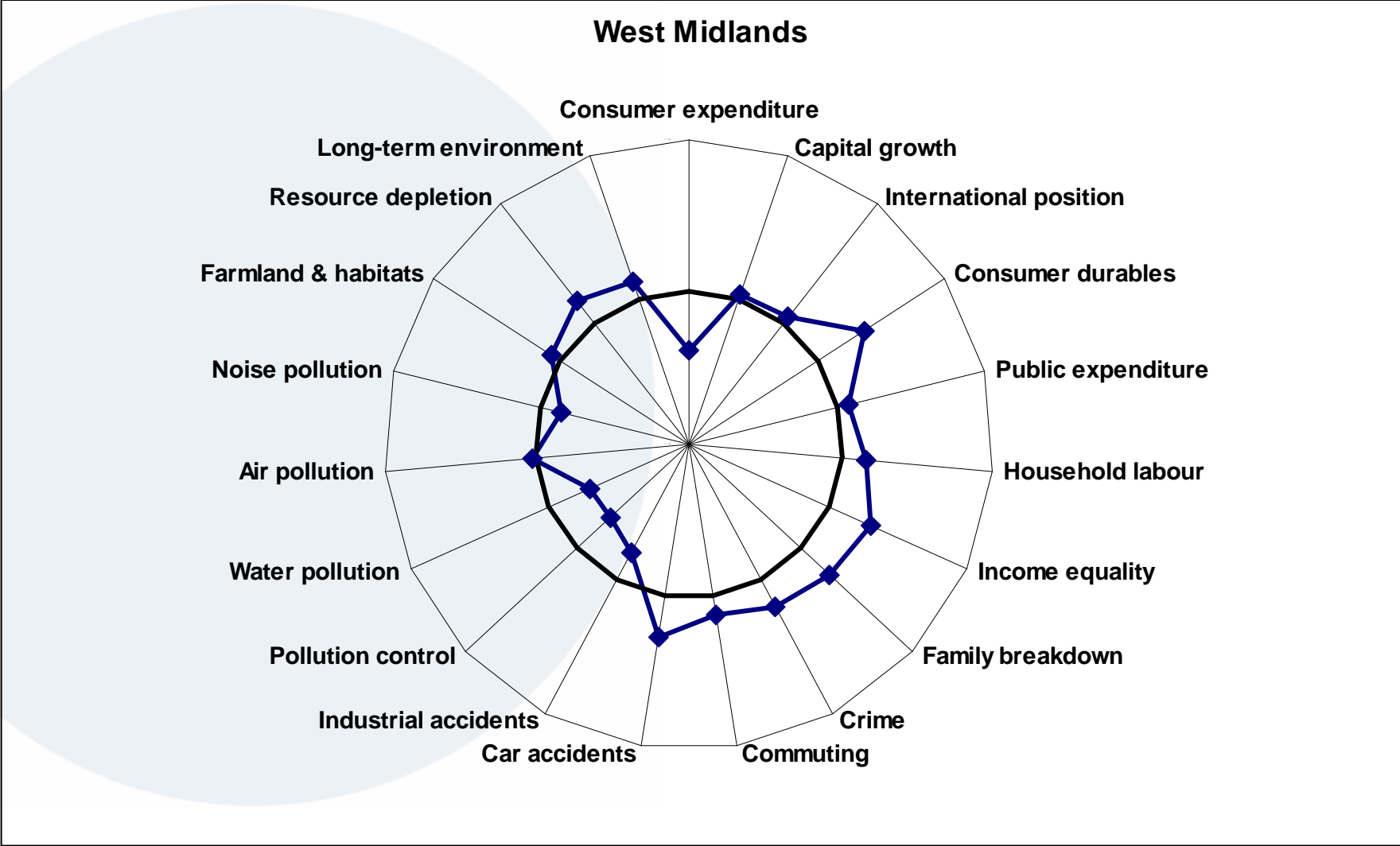
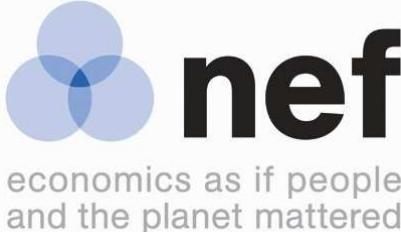
R-ISEW by component & region



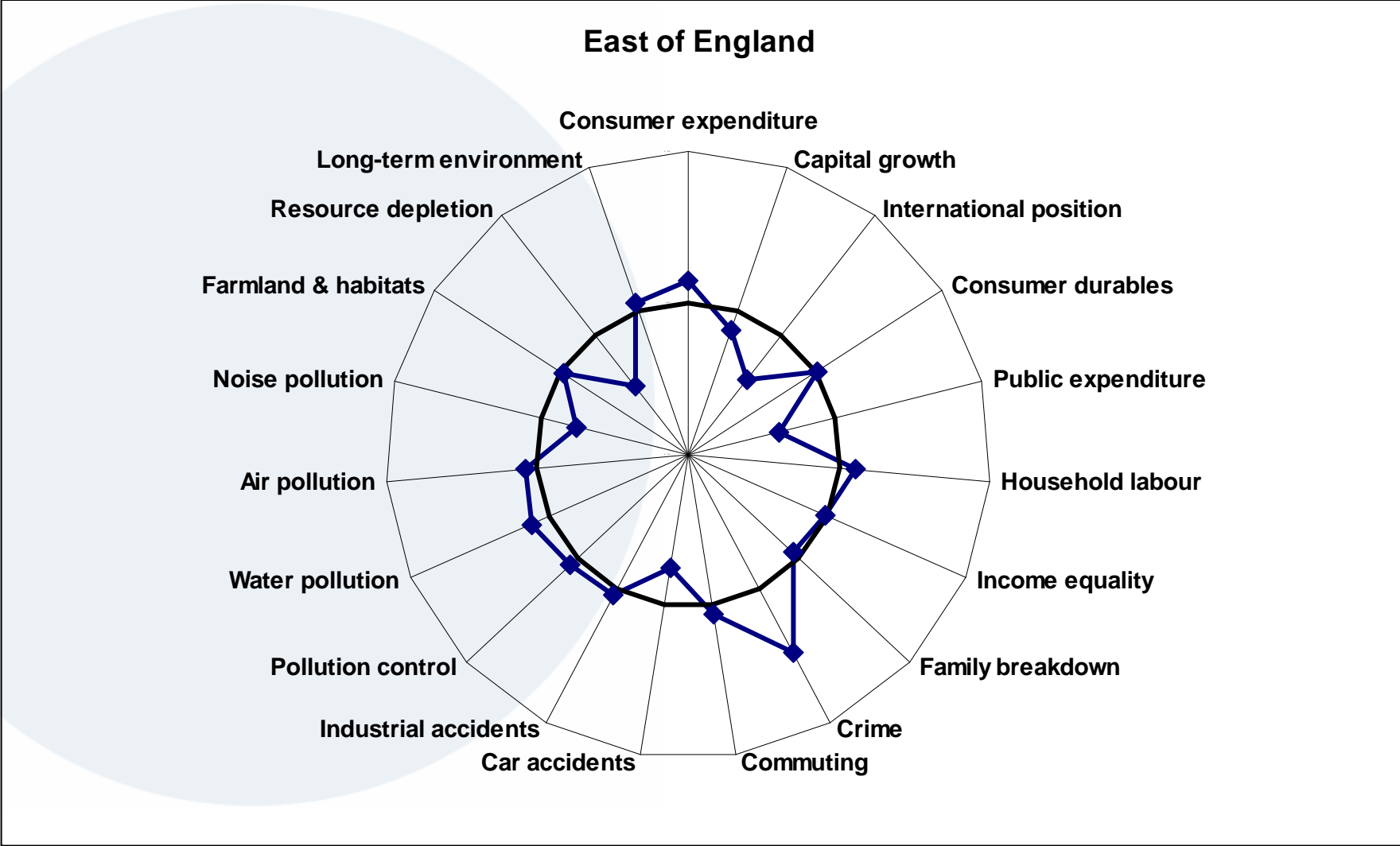
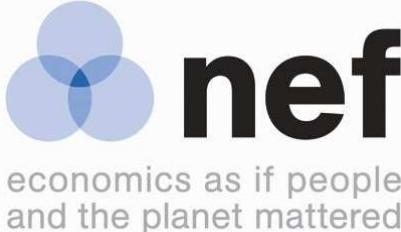
R-ISEW by component & region



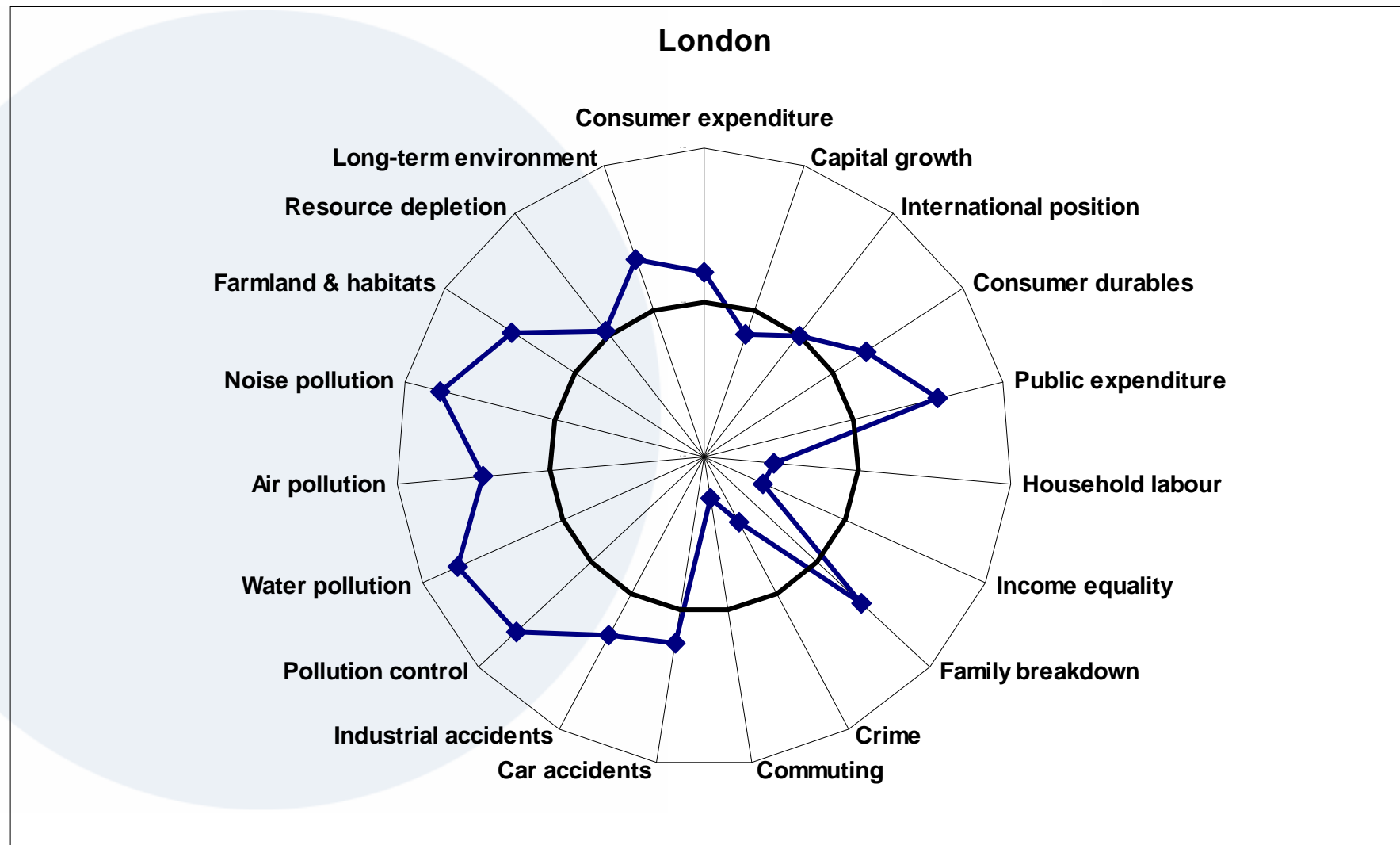
R-ISEW by component & region



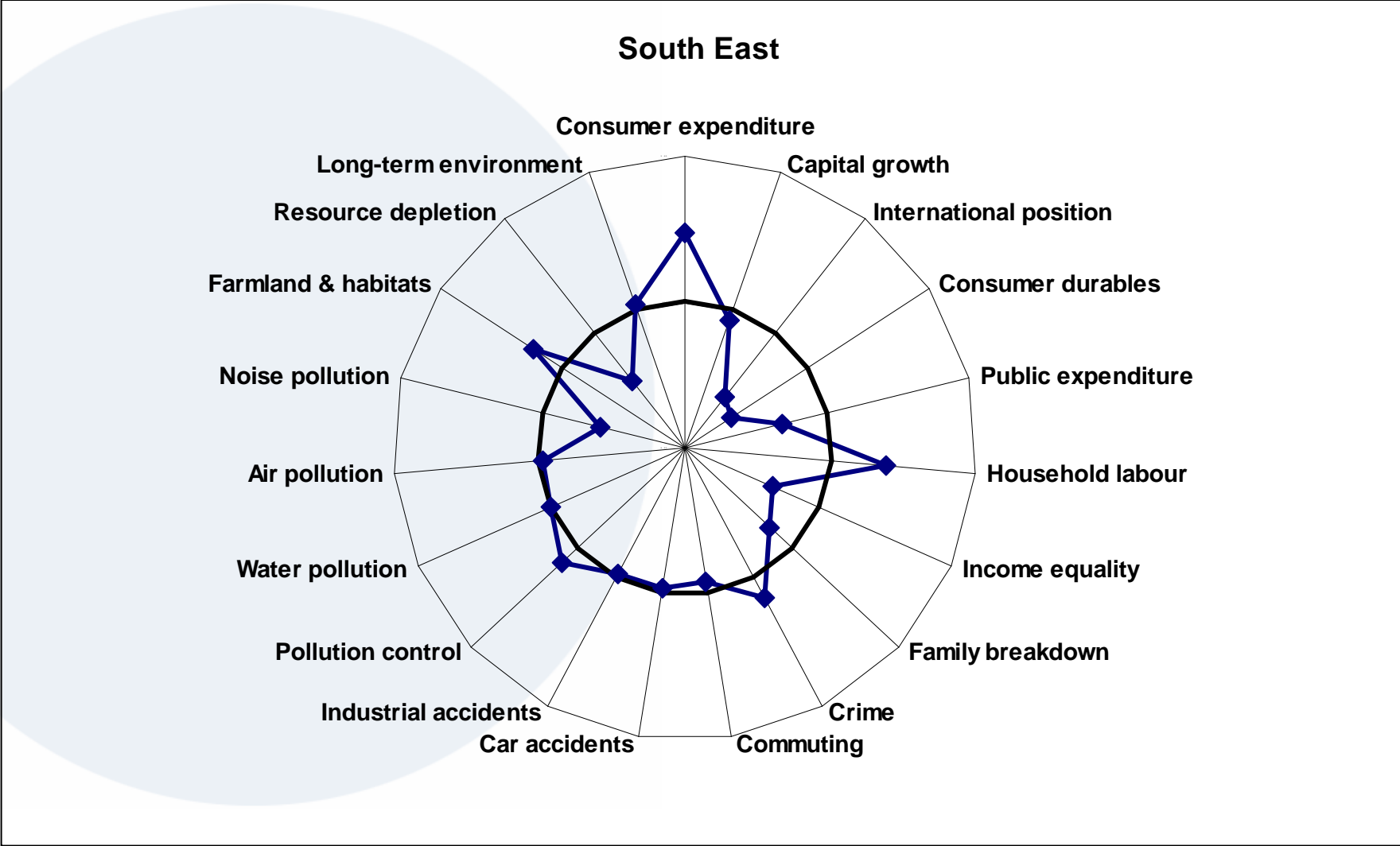
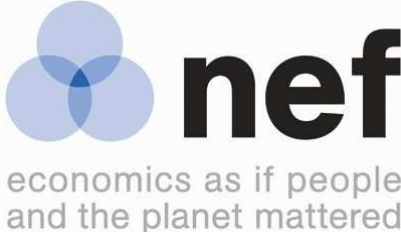
R-ISEW by component & region



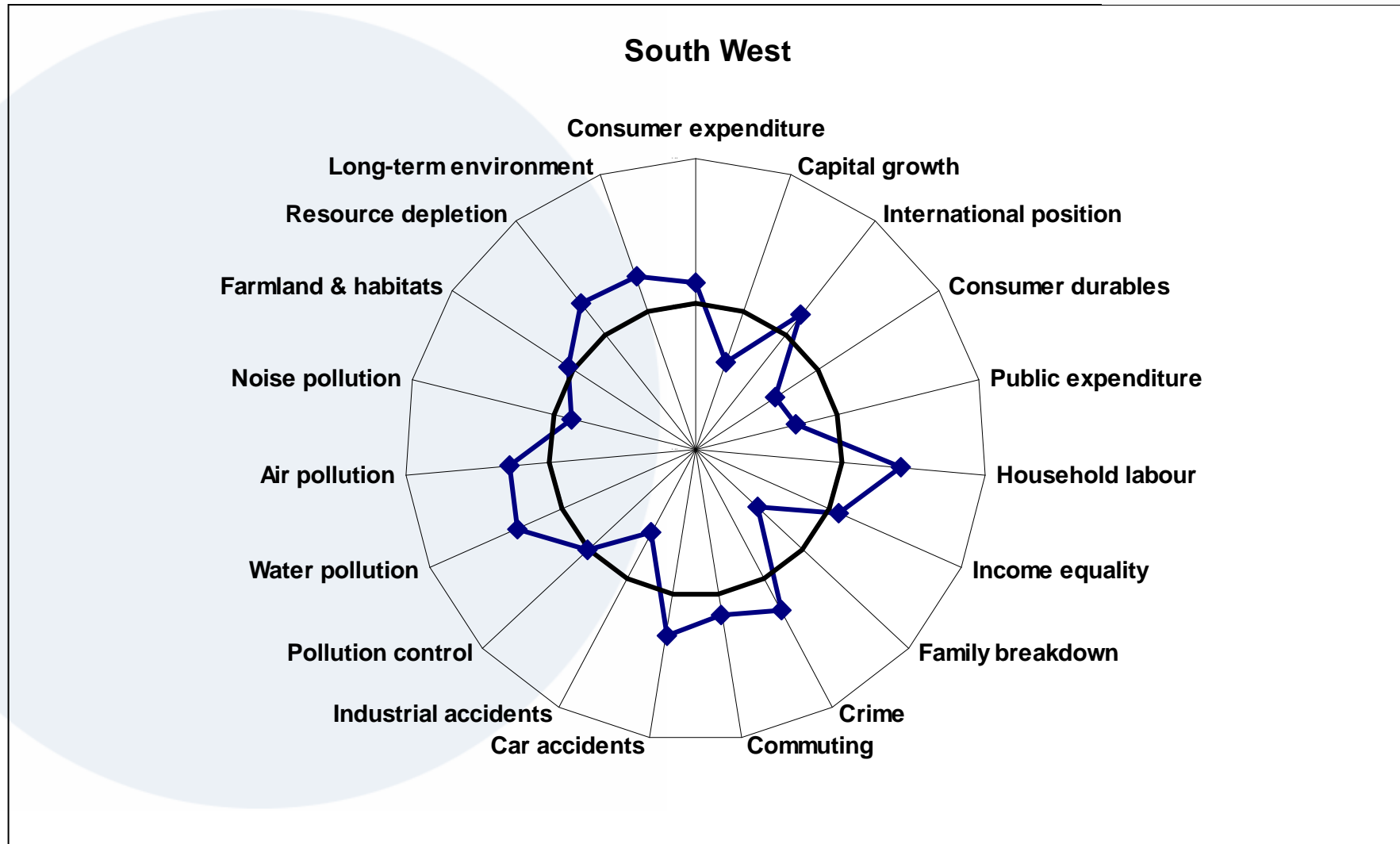
R-ISEW by component & region



R-ISEW by component & region



R-ISEW by component & region



R-ISEW as the new GDP?

- Indicator of sustainable economic development used *alongside* GVA
- More generally:
 - Recognition GDP is a poor indicator
 - BUT alternatives vary:
 - Combined vs. separate
 - Genuine net savings, GPI, Gross National Happiness
 - Debate about what matters to us as a society

Reports downloadable from
www.neweconomics.org

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