faith and development

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Towards new indicators of wealth

FROM 'HAVING MORE' TO 'IMPROVED WELL-BEING'

by Florence Jany-Catrice*

At the beginning of 2005, people around the world gazed in horror at the ravages of the Asian tsunami. Scenes of desolation, deserted beaches and families decimated by the deadly waves filled our television screens and newspapers. At the beginning of autumn, the world's attention turned to New Orleans. Once again, the sheer horror transfixed us. The vast destruction wreaked by the hurricane was followed by looting and outbreaks of totally uncontrolled and unexpected violence. What also became evident, however, was the contempt in which the United States' government holds the poor, most of whom are black.

Other disasters caused by drought or fire, gales or flooding, particularly in recent months in Niger, India, Portugal and even tranquil Switzerland, have forced us to adopt a position of humility. Our control over events is very relative. In certain circumstances, neither the superpowers nor the turbulent emerging economies, neither plans nor forecasts can prevent the destruction of our labours.

However, humanity is greater than its humiliations. It is in our nature to grow, conquer new spaces, improve technologies, create wealth and seek well-being. To make joint decisions on our future, to assess the desirability of implementing them and to measure the possible negative impacts are all actions that contribute towards sound management.

Nobody, whatever their position in the social structure, from the peasant on his patch of land to the manager of a multinational company, can avoid this. In this area, errors can be fatal.

That said, does development – assuming that it is synonymous with greater wealth – actually lead to greater well-being? There can scarcely be any doubt now that the indicators of wealth are limited or even misleading. Sound management of the desirable society now requires broadly based (not just monetary) indicators that measure our ability to husband resources. Florence Jany-Catrice reminds us that GDP, a well-known and still useful indicator, is no longer above all suspicion; it is not 'not exempt from the choices made with impunity by a minority and validated passively by a majority'.

The extremely precarious lives led by very many human beings, on all continents, are reminders that basic rights in such areas as safety and security, employment, healthcare, education and housing conditions are far from being enforced. The new indicators of wealth, based on human development, should at least draw attention to the plight of those groups at greatest risk. This attention will have to be translated into political will if the world is to be shielded from chaos.

Albert Longchamp

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Open a newspaper or a magazine, or switch on the television: it will not be long before you are being inundated with figures that are supposed to tell us what state the world is in, whether it is doing well or improving, whether it is advancing or declining, whether it is getting richer or poorer. Certain figures (or indicators) appear more frequently than others in speeches, in media reports and in expert analyses.

Over and above the fashionableness of certain indicators that supposedly measure 'wealth' or 'progress', there arises the question of what meaning we should attach to them. Do we give sufficient consideration to what wealth is or to what constitutes the wealth of a country, region or community?

The dominant response: economic growth

This failure to question such widely used indicators is due in part to the fact that, for a long time, one dominant answer was supplied and, by dint of much intellectual muscle flexing, fairly widely accepted. According to this dominant way of thinking, what constitutes the wealth of nations is economic wealth, as understood and calculated by national accountants on the basis of gross domestic product (GDP) and the growth thereof.

Nevertheless, this conventional approach to things, in which wealth tends to be synonymous with the outputs of an accounting system, has begun to be questioned, as a consequence in particular of the work of the UNDP (United Nations Development Programme) and its famous human development index (HDI), but also because increasingly pronounced discrepancies between the indicator and people's perceptions are making themselves felt. What is the point of pursuing growth as currently defined if, at the same time, moroseness sets in, inequality and poverty increase, individual and collective feelings of well-being stagnate or decline, natural resources are depleted and the state of the planet deteriorates?

Is it not paradoxical to read in 1999 in the French newspaper le Monde: 'Japan doing better, the Japanese less well'? In any event, this is a very strange way of thinking about a country's health and what its wealth consists of: how can a country be doing better if its people are doing less well, unless a country's health and wealth really can be reduced to indicators of its economic and financial situation?

Thus the thermometers and compasses used are perhaps no longer quite the right ones. Indicators such as GDP, which was developed in the post-war period when the main objective was economic reconstruction, set us increasingly questionable goals. What they calculate is merely the sum of the goods and services produced or consumed, regardless of the reason for that consumption or of its impact on society and the environment. To measure the growth in GDP is to measure how much 'having' there is in a country, but not the improvement (if any) in its well-being.

Thus GDP is an indicator that has traditionally excluded many forms of wealth, including domestic production, child-raising, not-for-profit activities, etc. Nevertheless, do such activities not help to increase our individual and, in many case, collective well-being?

This indicator is not concerned at all with the question of who growth is for, that is the question of inequalities and the distribution of wealth. And yet the same growth rate of 2 or 3% per annum for a number of years may, depending on the country in question, be accompanied by an increase or reduction in economic and social inequalities.

Finally, GDP, as currently constructed, takes no account at all of the ecological and environmental destruction the planet is being subjected to because of the volume of our consumption and the forms it takes. The resources that we have inherited and are now sacrificing are excluded from the accounts on the pretext that natural resources are 'renewable', public and free. However, there is no longer any doubt as to the deterioration of natural resources that are being exploited beyond their natural capacity for regeneration. The Earth and its ecosystem have been deteriorating since the early days of industrialisation and this process has been accelerating since the end of the 20th century.

It is for all these reasons, and undoubtedly for many others as well, that a number of initiatives for change have emerged across the world since the end of the 1990s. In their various ways, they all involve a 'reconsideration of wealth', to quote the words of Patrick Viveret, and emanate from very diverse sources (academics, international institutions, pressure groups, associations etc.). The objective of all these initiatives, which seek to place human beings and the environment at the heart of economic indicators, is to develop ways of evaluating 'human progress' that supplement those used in the current national accounting system or that will serve as alternatives to the now conventional approach.

Thus the aim of these initiatives is to produce original indicators that strive to aggregate into a single figure multidimensional data that go beyond the purely economic. Eventually, these new indicators may acquire sufficient credibility and legitimacy to be used alongside GDP and its evolution in regular evaluations of wealth or human progress.

These new indicators are still essentially 'quantitative', in the sense that figures, statistics and measures play a major role. This is because their advocates know that figures, particularly if there are not very many of them, are more likely to be diffused and to make a lasting impression on people's minds. They are sometimes monetary indicators, but not always.

Taking account of environmental destruction

Some of the most interesting and widely debated of these initiatives are based directly on national accounts, on GDP or on related notions, such as household consumption. They add or remove various monetised variables depending on whether they are regarded as enhancing or diminishing well being.

The idea is to add social or environmental dimensions to the economic dimension, with the aim of imputing monetary equivalents to the added dimensions. This imputing of monetary values to all the variables, including social and environmental ones, is disputable and disputed. However, the history of indicators shows that this monetisation sometimes provides a basis for effective measures in favour of social justice or the environment.

Thus the ISEW (indicator for sustainable economic well-being), one of the founders of which, in the 1960s, was none other than James Tobin (the future advocate of the proposed tax that bears his name), takes as its starting point consumption expenditure, from which are subtracted various costs regarded as 'defensive' expenditure (i.e. expenditure often included in the current growth model but which constitutes a deterioration rather than an improvement in well-being).

The costs in question include, for example, those linked to travel within urban areas, particularly commuting to work, and to excessive marketing, as well as some of the expenditure on public safety and on health. Of course these evaluations must necessarily include value judgements as to what is 'good' and 'less good', both for individuals and society as a whole. However, is it not reassuring that nothing is cut and dried and that, what matters above all, is the democratic debate on what constitutes wealth, on what counts and what is worth counting?

These monetary amounts are supplemented by evaluations of domestic work (particularly the non-market work women do within the family) and voluntary activities.

This indicator is frequently updated and remodelled, particularly in its recent versions, which attempt to take better account of the destructive effects of an environment polluted by human production and consumption (urban pollution, water and air pollution and production of final waste, as well as the depletion of natural resources, including animal and plant resources).

However these indicators may be constructed, all of them show a very clear trend in the developed economies towards an increasingly pronounced divergence between, on the one hand, a continuous increase in GDP and, on the other, a lower rate of increase (in the Nordic countries), stagnation (in Continental European countries, such as France) or even a decline (as in the English-speaking countries) in these indicators of sustainable economic well-being.

Indicators of human development

A high proportion of the synthetic indicators we have surveyed are concerned primarily with human and social questions expressed in terms of human development, social health, well being and quality of life. The best known of them is undoubtedly the UNDP's human development index (HDI). We will not examine it in any detail here, since the UN has been so successful in popularising it over the past ten years.

In its annual reports on human development in the world, the UNDP publishes an indicator of human development that attempts to supplement a country's economic wealth (measured by GDP per capita) with the rate of access to education (measured by the literacy rate and the school enrolment rate) and the extent of access to healthcare (measured by life expectancy at birth). From 1997 onwards, the UNDP has added a synthetic indicator that is less well known but equally instructive. This is the HPI, the human poverty index.

This index records the basic shortages, privations and exclusions suffered by a section of the population in question. As far as the developed countries are concerned, the HPI-2 is based on four, equally weighted criteria: probability at birth of not surviving to age 60, percentage of adults lacking functional literary skills, percentage of people living below the poverty line and long-term unemployment rate.

Whatever the limitations of these indicators might be, they certainly 'indicate' many things, even for developed countries. It is not unimportant, for example, to observe that the Nordic countries achieve excellent scores for both these indicators. Nor is it without interest to note that those countries that fall within the scope of the so-called 'Anglo-Saxon' development models score very badly when it comes to poverty.

The global panorama provided by the UNDP inevitably comes up against problems of relevance and reliability, particularly when attempts are made to include too many countries in the rankings. This is the point at which it becomes necessary to adopt different approaches, ones that make it possible to take account more specifically of the socio-economic factors affecting individual countries.

This is precisely what is offered by the BIP 40 (Barometer of Inequalities and Poverty), for example, which was developed by French academics as an indicator of inequalities and poverty in France. Here too, the objective is to aggregate several dimensions of inequality and poverty into a single figure that can then be used to track their evolution over time. There are six dimensions in all, relating to employment and work, earnings, health, education, housing and justice. The BIP 40 attempts to offer a summary of the major social problems, as perceived by the designers of the index. If it could be published as a complement to indicators of economic growth, it would be clear that, far from disappearing, inequalities and poverty have in fact been increasing in France for the last 20 years. Does the fact of living in a society in which vast numbers of poor people coexist with a handful of very rich individuals have no impact at all on our well-being? Those who regard GDP, wealth and progress as one and the same thing assume that such inequalities are indeed of little consequence. On the other hand, those who, like the developers of the BIP 40, argue that their indicator should be published alongside GDP insist on the importance of drawing attention through the media to the evolution of inequalities and poverty.

The ecological footprint of human activities

Alternative organisations in the USA lie behind an indicator that focuses predominantly on environmental considerations and whose main objective is to influence people's minds. The indicator in question is the ecological footprint, which has been taken up and publicised by the WWF. Its starting point is the notion that human production and consumption use natural resources, almost of all of which can be translated into land and water areas that constitute the 'footprint' of human activity.

The main types of natural areas are built-up land (for housing and infrastructure of various kinds), the forest areas required to absorb CO2, fishing grounds, grazing land and cropland. The area thus calculated reflects (through the use of various conventions) lifestyles and consumption patterns. It can be calculated for the whole of humanity, for a country or for an individual, on the basis of what he or she consumes and the mode of production.

Thus we are not dealing here with a monetary synthetic indicator but rather a synthetic indicator expressed in units of area of the world's surface. It is estimated in the WWF's reports that, globally, mankind's ecological footprint has increased considerably since 1960, from 70% of the world's surface used for productive purposes in 1961 to 120% in 2002; the point at which the planet could no longer renew its resources was reached in the 1980s. In other words, we are consuming 20% more than the annual flows of regenerated resources the natural world can produce. To put it yet another way, we are consuming 1.2 planets. We are, in effect, borrowing from future generations the non-renewable resources that we are consuming to excess and which will eventually cease to exist if nothing changes. This also means that we are living on credit off the planet's renewable natural resources.

This is not all, however. The footprint also indicates the extent of inequalities in consumption. The average ecological footprint per inhabitant of the planet is 2.2 hectares. However, this figure soars to 9.8 hectares per inhabitant in North America, which compares with 5.9 hectares per inhabitant in France and 1.2 hectares per person in Africa. In other words, we in the West are borrowing the areas of the world's surface we are consuming to excess from the developing countries. This is what is known as the North's ecological debt to the South. True the Southern countries are financially indebted. However, if an accurate cost were to be put on the service these countries are providing for the Northern countries by placing at their disposal the areas of the world's surface essential for their current consumption, the result would probably exceed the Southern countries' debt. This is also why a global carbon tax, the main effect of which would be to promote the development of the Southern countries, would be absolutely just and fair.

A fundamental calling into question

For some people, the notion that social and environmental considerations are gaining in prominence and that they could serve as a basis for evaluating the national accounts of the 21st century in terms of sustainable human development is, at worst, merely a passing fad, or, at best, utopian. We do not think this is the case. The social and environmental problems the world faces are serious and they are scarcely a passing phenomenon. They concern us all, as the indicators of sustainable human development and the environmental indicators outlined here ceaselessly remind us.

True, these alternative indicators are based on questionable conventions. However, this is not sufficient cause to ignore them. There are least three reasons why they should be taken seriously. Firstly, what is often questionable is the choice of weightings. Do we want to give more or less weight to inequalities, to poverty, to environmental problems or, on the other hand, to increases in the amount we consume?

Until now, the choice of weightings has often been arbitrary and decided by those developing and promoting the indicator in question. However, the weightings could easily be strengthened through public debate or surveys, thereby becoming a sort of shared convention reflecting collective values as to what constitutes 'wealth' for the greatest number of people. Incidentally, GDP itself is not exempt from the choices made with impunity by a minority and validated passively by a majority.

Secondly, there are indicators other than the examples outlined here by way of an illustration of what is possible that combine economic, social and environmental considerations, in rather different proportions and using rather different methods, and produce fairly similar diagnoses, particularly over long observation periods.

The third and final reason to support these alternative indicators is that it is difficult to see how to dispense with 'questionable conventions' when dealing with questions related to the environment, quality of life and social progress and hence to value systems. What is known as 'civil society', associative networks and NGOs are beginning to make use of these tools for the purposes of communication and debate? This trend, if sustained, is a sign of hope. Some progress can also be expected from the international debate that is now getting under way on these questions and which, happily, the UNDP initiated fifteen years ago in the face of all opposition.

It is high time 'to reach collective agreement on what constitutes a wealthy and desirable society, in which decent living conditions are accessible to all. We have collectively to decide on the goals we are going to pursue' (Dominique Méda, 1999). There is an urgent need to raise awareness and shape opinion on these matters. This will require a fundamental questioning of the analytical tools biased towards the cult of the economic. From this point of view, the indicators that offer an alternative to GDP are a possible contribution to both thought and action.

Florence Jany-Catrice

Notes de référence

1 -For example, the WHO (World Health Organization) has stated that the poor quality of the environment causes one in three child deaths in Europe.
2 - As has the journal *Foi et Développement*. See, for example, Gabriel Marc, 'Vers un autre mode de croissance, Le développement humain durable', *Foi et Développement* no. 329, December 2004.
3 - *World Wildlife Fund* is an international organisation that seeks to defend and preserve the environment.
4 - Source: *Living Planet Report, 2004*, *WWF.*
5 - *Qu'est-ce que la richesse ?*, ed. Aubier, 1999.

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