

GDP IS DEAD. LONG LIVE SOCIAL CAPITAL, ENVIRONMENTAL VALUE AND A SENSE OF WHAT MAKES US HAPPY. IT'S TIME TO REDEFINE PROSPERITY, CHANGE OUR MEASURES OF PROGRESS AND WORK HARDER TO DELIVER A SUSTAINABLE FUTURE.

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# GOOD MEASURES

We were much happier in 1976 it would seem, which is a bit of a surprise to those of us who were around at the time.

This startling revelation emerged from a recent analysis that attempted to look beyond simple economic factors to gain a view of Britain's wellbeing that delivered more than a bald statement of gross domestic product (GDP).

In its report on wellbeing, the New Economics Foundation think-tank included, in addition to economic measures, social and environmental factors in its final measure of domestic progress. Britain, it concluded, was a happier place in which to live in the mid-70s.

This caught the fancy of the media and the public because it was more relevant to their daily lives than GDP, which is a blunt and two-dimensional statement of money spent, an account of goods and services purchased. GDP makes no value judgements about whether those goods and services are worth having.

The New Economics Foundation report is not the only attempt at finding a better way of measuring economic growth that takes into account whether it is good for us or not. Some suggest that growth in industrialised countries is actually making many of the people who live there worse off; they are suggesting that wellbeing and prosperity 'decoupled' a long time ago.

The Index of Sustainable Economic Welfare (ISEW) attempts to decide whether growth is beneficial. It and GDP moved in step until 1966, when ISEW stayed put while GDP rose for the next 20 years.

The Fordham Index of Social Health, compiled for the US every year since 1970, uses 16 measures to show a view of human wellbeing at each stage of life. For seven years, the index stayed steady at 70 per cent. Then there was a rapid decline to about 40 per cent, where things stuck between 1985 and 1994. A similar Fordham Index for Ireland, where the Celtic economic tiger has roared loudly, has fallen since 1974.

Once you start thinking along the lines suggested by these various indices, you can begin to turn the basic idea on its head. If there is more to growth than fat profits, might there be more to the greening of a tatty abandoned piece of land than an improved environment? And how can social capital feature in the way we measure progress? What measures are good measures for a sustainable future?

"In sustainability circles people often talk of the triple bottom line," says Chris Tuppen, head of sustainable development for BT. "An organisation or a region has impacts both positive and negative that affect the environment, society and the economy.

"Companies have in the past identified how their businesses affected the environment through their products. More recently this has been extended to a social analysis of how a company affects people, including how people will think of the company. The stakeholder groups include employees, investors, customers and suppliers: in fact, the whole community in which a business operates.

"A successful company will be one that records a high level of satisfaction among all those stakeholder groups.

"A profit motive will satisfy the shareholders but could be only a short-term gain. If you have very dissatisfied employees, they are not going to react very well with customers, are not going to hang around long and their expertise will be lost.

"The name of the game is to achieve a balance, to try to maximise the satisfaction of all those players at any one time."

BT estimates that if it stopped being a responsible company, its customer satisfaction levels would drop by ten per cent, with an impact bigger than simple loss of revenue.

And there is a positive impact on the only bottom line that matters to many accountants: BT has saved £600m over ten years by introducing environmental efficiency measures and cutting waste.

So there is an economic argument to be made for enlightened corporate attitudes to the environment and society. But it can also be argued that those more concerned with improving the environment than improving share prices should keep one eye on the potential economic benefits of their idealism.

This point has not been missed and in the Northwest work continues to explore the economic potential of the region's rich natural environment.

"In the Northwest we have a lot of very good quality natural environment assets," says Mark Atherton, the NWDA's head of environment and sustainable development. "We have a coastline of 360km which is internationally designated for its wildlife. We also have the Lake District National Park and eight areas of outstanding natural beauty.

"We have some of the best salmon rivers in England and Wales and some fine wetland areas.

"The question then is what do all these contribute to the regional economy?"

That question was answered by a survey in 2000 that showed that economic activity related to the natural environment accounted for 62,000 jobs and £642m of the region's GDP. The NWDA wanted to know more, so with English Nature it commissioned a new study (the Economic and Regenerative Value of the Natural Environment in the Northwest, now mercifully known as ERVNE) to focus more closely on how particular projects contribute to economic development, regeneration and sustainable development.

"We asked people to tell us of potential projects, either real or imagined, and what would they cost and what would be the estimated outputs," says Atherton.

Almost 90 projects were suggested and these were sifted down to the 39 with the greatest potential to bring economic and natural environment benefits. The total cost of the projects would be £200m but the pay-off looked promising: the creation of

2,034 jobs and almost 6,000 training places; the reclamation of 1,000 hectares of brownfield land; and the creation of 1,600 hectares of woodland. Businesses would be created, investment attracted and the public face of the region improved.

"That's a good impact. But we were not even content with that. It was very much a 'what if?' study but we thought we could test some of these results and just see how realistic they were."

So a wetlands project is examining what might happen if, for example, smaller satellite sites were developed around the bird reserve at Martinmere: instead of coming just for a day, visitors might decide to stay longer (and spend more). Hey presto: eco-gain with an economic payback.

Another green project with an economic dimension has explored how

identified 3,800 sites, making up roughly 26,000 hectares of land. We are trying to identify in advance the latent potential value. We can plant trees anywhere but we want to plant them where they will make the greatest economic difference."

He and his team evolved the Public Benefit Recording System (PBRs), a multiple benefit analysis which uses a sophisticated points scoring system and is based on four criteria: social, access (there is no sense in having a green asset if people can't use it), economic and environmental.

In terms of social benefit, a belt of trees established near a motorway could shield a local community from traffic noise and mop up particulates, which could in turn help reduce asthma.

The Newlands Project, in which the Forestry Commission and NWDA are partners, used the PBRs and is investing £23m on eight sites spanning 435 hectares across the region.

"Now those sites are derelict," said Jones. "But soon they'll be turned into stunning community woodlands with big public benefits.

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to choose which bit of the natural environment to invest in. All the Northwest's many derelict sites (one quarter of England's derelict land lies within the region) could do with an environmental makeover, but which would provide the biggest return?

In a pioneering scheme, the Forestry Commission has linked with the NWDA, the region's community forests and others to devise a system for making those tricky decisions and record the potential public benefit of turning land that has been blighted by industrial and urban decay into woodlands.

"There is a tremendous amount of derelict land in the Northwest," says Keith Jones, the Forestry Commission's conservator for the region. "We have

"You have to pick the worst of the worst to get the best benefits for the region. It's not about planting trees but about getting the real social and economic gains from a 21st century woodland development."

Jones and his colleagues in the Forestry Commission and NWDA are making more sense of environmental regeneration and its role in economic development and performance; at BT, Tuppen and his team are showing that the bottom line is about far more than just cash.

What combines these shining examples of fresh thinking is a realisation that GDP alone is not an adequate measure of progress, and that progress cannot be achieved if we are focused on economic or social or environmental gain in isolation. The message is clear: it's time to look afresh at what we mean by progress and redefine our sense of what constitutes 'prosperity', and it's time to realise that social, environmental and economic goals can be aligned under the banner of sustainable development.

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