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PARLIAMENTARY BRIEFING

Measuring prosperity - beyond GDP

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WWF Scotland congratulates Oxfam Scotland on their work to develop the HumanKind Index, and we welcome the opportunity to debate in Parliament what really matters to people in Scotland. With this briefing, we seek to contribute to the debate about measuring prosperity in the context of the environment.

'Economies are teetering. Inequality is growing. And global temperatures continue to rise. We are testing the capacity of the planet to sustain us ... The signposts are clear: We need to change dramatically, beginning with how we think about our relationship to each other, to future generations, and to the ecosystems that support us.'

UN Secretary General's High Level Panel on Global Sustainability, 2012.¹

Summary

- All economies and societies rely on the resources the natural environment provides. However, the constant pursuit of economic growth has come at a cost to the Earth's natural systems upon which we all depend.
- WWF Scotland believes we should move towards an economy that operates within the environmental limits of our one planet. A 'One Planet Economy' focuses on ensuring a good quality of life, wellbeing and healthy environment for all.
- GDP has become the dominant high-level indicator, benchmark of progress and decision making driver in Scotland. However it is widely recognised to be limited as an indicator of human wellbeing and societal progress. We believe the pursuit of GDP growth alone risks undermining progress in other areas key to securing a flourishing and sustainable Scotland.
- The Scottish Government should develop its National Performance Framework into a much more sophisticated one that puts environmental and social prosperity on a par with economic prosperity to deliver true sustainable development.

¹ From 'Resilient People, Resilient Planet: A Future Worth Choosing' (2012), report of the High Level Panel of 22 serving and former senior politicians from around the world.

A planet under pressure

Over the years, the pursuit of economic growth has come at a high cost to the Earth's natural systems upon which we depend. Our global ecological footprint is now 52% greater than the capacity of the planet to replenish natural resources, and absorb pollution and waste². Technological efficiencies have not offset the combined environmental impacts of rising human population and rising per capita consumption of resources.

2010 saw the biggest increase in global greenhouse gas emissions ever recorded – 6% more than the previous year³. 2010 also saw Scotland missing its emissions reduction target under the Scottish Climate Change Act. We must change the path we are on. The Government's Economic Strategy stated that 'only by promoting environmental sustainability, and delivering a significant reduction in our greenhouse gas emissions, will we be able to deliver growth and benefits for all over the long-term.'⁴ WWF believes the purpose of our economic framework, should be to support the delivery of sustainable development – reducing our impact, tackling inequalities and improving wellbeing. A 'One Planet Economy' can do just that.

Measuring prosperity - beyond GDP

The pursuit of economic growth has become the dominant global goal for our economic systems. GDP has come to be regarded as an overall indicator of societal development and progress. While GDP is a good measure of economic activity or size of our economy in comparison to others, it has considerable weaknesses. GDP neither accounts for the depletion of natural capital, nor does it distinguish between expenditure that is positive or negative. The oil spill in the Gulf of Mexico, for example, led to higher GDP, but damaged ecosystems and livelihoods.

A thriving economy is clearly vital as the means to meet our material needs, however WWF Scotland believes that improved quality, activity, stability and strength of the economy are more important than simply increasing its size. We believe the current emphasis on growth in GDP comes at the expense of achieving a flourishing and sustainable Scotland. There are already some examples where progress has been made to move to a better measure of prosperity:

FRANCE – In 2009, President Sarkozy commissioned economist Joseph Stiglitz to introduce measures of progress based on wellbeing and happiness. The report recommended shifting the emphasis from GDP to wellbeing and sustainability. Stiglitz's Commission recommended creating a statistical system that takes into account every aspect regarding a society's level of progress, such as health, education and social interaction. The French National Institute of Statistical and Economic Studies decided to implement the recommendations in all future statistics.

In the EU - The European Commission, European Parliament, Club of Rome, WWF and OECD launched an international "Beyond GDP" initiative in 2007 designed to supplement or replace GDP as the most common measure of economic progress. In 2009, the Commission launched its EU road map identifying five actions to better measure progress in a changing world.

Scotland's National Performance Framework (NPF) model provides a way to deploy a more sophisticated approach to measuring progress, placing greater emphasis on stronger environmental and social indicators. However, currently, GDP remains the dominant high level indicator and policy driver. There is also little evidence that the broader set of 'Outcomes' established within the NPF have been used to inform Government decisions in a coherent or thorough manner. WWF Scotland calls on the Scottish Government to develop the NPF into a much more sophisticated one that puts environmental and social prosperity on a par with economic prosperity and supports a more integrated approach to decision making that will deliver true sustainable development.

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² WWF (2012), Living Planet Report

http://awsassets.panda.org/downloads/1_lpr_2012_online_full_size_single_pages_final_120516.pdf

³ US Department of Energy figures published in November 2011

⁴ <http://www.scotland.gov.uk/Publications/2011/09/13091128/3>