

The Genuine Progress Index. A better set of tools.

Can we create a genuinely sustainable economy? An economy that delivers prosperity without damaging the most valuable things on earth — like clean air and water, fertile soil, nurturing families, strong and vital communities?

We can't - unless we know how to balance the real costs and benefits of economic activity, including the costs and benefits that aren't at all obvious. An ill-managed pulp mill may temporarily bring jobs and profits, for example, but it also depletes the forest and sullies the river. Overtime work boosts production and incomes, but overwork infringes on family time and community life. We rarely evaluate such costs at all, even though we see them every day in the form of vanished fisheries, broken families, gridlocked cities, smog-filled air, drug abuse, and other social and environmental woes. And we rarely evaluate benefits like responsible environmental stewardship, a healthy populace, security from crime, and the generous volunteer work and social support networks that do so much to make our communities good places to live.

To build a sustainable economy, we need tools of analysis that properly value social, economic and environmental assets, tools that carefully appraise both costs and benefits, and balance them against one another. That's what's known as "full-cost accounting."

And that's what the **Genuine Progress Index** is designed to provide.

What's wrong with the tools we're using now?

Today, the most commonly-used measure of economic progress is still the **Gross Domestic Product** (GDP), which is simply the total value of all the goods and services that are exchanged for money.

The GDP literally does not count some of our greatest sources of wealth — knowledge, unpaid household labour, volunteerism, and a clean environment, for example. Worse, the GDP doesn't distinguish between economic activities that benefit us and those that cause harm — and it counts the depletion of our natural wealth as economic gain.

Crime, war, pollution, tobacco smoking, and car accidents all cause people and governments to spend money — and so they all increase the GDP. The more trees we fell, the more fish we catch, the more fossil fuels we burn, the more greenhouse gases we emit, the more the GDP increases.

And the GDP only reports **how much** income we produce — but not how that income is distributed. So the GDP can increase even while the poor get poorer and the gap between rich and poor grows.

No wonder the GDP leaves citizens and policy-makers in confusion. No wonder it creates the illusion of a ‘boom’ without giving any warning of the ‘bust’ that followed. No wonder policy makers, who rely on such misleading measures, so often stumble blindly forward without clear direction or vision. If a rising GDP means that we're better off, why does it so often seem that things are getting worse?

It's noteworthy that those who created the GDP — like Nobel Prize winning economist Simon Kuznets — warned more than 60 years that it should never be used to measure progress or assess well off a country is (the way it is misused today). To do that, Kuznets said, you can't just ask if the economy is growing; you have to ask **what** is growing.

That's precisely what the **Genuine Progress Index (GPI)** does. By contrast to GDP, GPI is common-sense accounting. It counts beneficial activities as positive, and damaging activities as negative. So it provides far more sophisticated and accurate guidance for citizens and policy-makers alike — guidance which allows us to evaluate our activities, and change our behaviour accordingly.

In fact, if we'd had such a ‘net’ accounting system rather than the ‘gross’ accounting system we have now, we would have had plenty of early warning about the impending collapse of our groundfish stocks, the declining viability of local farming, and our current economic crisis, for example. And those early warnings would have enabled us to take timely action to prevent and protect ourselves from these calamities.

GPI Atlantic: Welcome to the tool shop.

GPI Atlantic is a non-profit research and education organization that has created a **Genuine Progress Index** for the province of Nova Scotia. Over the past 12 years, **GPI**

Atlantic has produced more than 100 carefully-researched reports on topics within the six main categories that make up the **Genuine Progress Index** — living standards, population health, time use, community vitality, education, and environmental quality.

GPI Atlantic has produced ground-breaking research on the real costs and benefits of the province's energy consumption, transportation system, solid waste disposal, and air quality. It has analyzed Nova Scotians' health, working hours, economic and financial security, tobacco use, and gambling habits. And much more. Its reports frequently cover subjects that have never been properly studied here before.

GPI Atlantic's research has uncovered some surprising facts. It revealed that volunteerism in Nova Scotia adds \$1.8 billion worth of services to the provincial economy each year, for instance. It demonstrated that transportation, rather than shelter or health care or food, imposes the heaviest financial burden on Nova Scotian households — and that obesity and poor diet cost the province \$250 million annually in health care costs and productivity losses.

In fact, it was the GPI finding that the province could save more than half a billion dollars a year in excess health care costs if Nova Scotians didn't smoke, exercised regularly, and had healthy weights that led the government to create a new Department of Health Promotion and Protection with its own minister and budget in an effort to improve Nova Scotians' health.

Findings like these have changed the way that thoughtful Nova Scotians view their province. Applied globally, they can change the way that human beings view their world.

The Nova Scotia GPI: Ready for Use!

And after more than 12 years research and development, the GPI is now ready to use and apply as a policy tool. **GPI Atlantic** has updated all its key results with the latest available data, and assembled all this in a comprehensive, integrated **2008 Nova Scotia Genuine Progress Index**, along with a summary table of results, executive summary, and policy paper — all available for free at www.gpiatlantic.org.

As well, **GPI Atlantic** has passed along its database and spreadsheets to the Nova Scotia Statistics Agency, conducted a half-day GPI workshop for senior civil servants from all government departments, and is currently preparing a user manual for provincial civil servants.

In fact, civil servants have expressed that the GPI is the ideal measuring tool that the province now needs to achieve the vision, goals, and objectives it has set for itself in the last two years. For example, Nova Scotia's 2006 *Opportunities for Sustainable Prosperity* — now the province's core development strategy — explicitly vows to count and give proper value to Nova Scotia's natural capital, human capital, social capital, built capital, and manufactured capital. That's precisely what the **Genuine Progress Index** does.

Nova Scotia's new *Weaving the Threads* social policy document links social development (like crime prevention, health promotion, lifelong learning, and poverty reduction) with economic prosperity and environmental sustainability. That's what the **Genuine Progress Index** does.

And the province's 2007 Environmental Goals and Sustainable Prosperity Act sets concrete environmental goals and targets, and recognizes that "the economic value of Nova Scotia's environmental assets is essential to our long-term prosperity." That's what the **Genuine Progress Index** measures. In short, the GPI is now perfectly aligned with the province's own expressed vision, understanding, and goals, which all political parties have strongly supported and to which they are committed.

The only danger is that the province's noble intentions remain just that, and are never realized in practice. The GPI is the measurement tool that can enable Nova Scotia to stay on track and ensure it achieves its vision, goals, and targets. No other jurisdiction has this tool available to it in such developed form. So Nova Scotia is ideally positioned — in this time of global turmoil and uncertainty — quietly to demonstrate a sane way forward.

All that remains is for Nova Scotia's elected leaders officially to adopt the **Genuine Progress Index** as a core measure of progress for the Province, and to use it actively to help craft good policy that steers Nova Scotia towards genuinely sustainable prosperity.

Nova Scotia GPI Components

Time Use

- Value of Civic and Voluntary Work
- Value of Unpaid Housework and Child Care
- Value of Leisure Time
- Paid Work Hours

Living Standards

- Income and its Distribution
- Financial Security - Debt and Assets
- Economic Security Index

Natural Capital

- Soils & Agriculture
- Forests
- Fisheries and Marine Environment
- Energy
- Air
- Water

Human Impact on the Environment

- Solid Waste
- Ecological Footprint
- Greenhouse Gas Emissions
- Transportation

Human and Social Capital

- Population Health
- Costs of Crime
- Educational Attainment

Genuine Progress Index Atlantic Society

GPIAtlantic is a member based non-profit society incorporated in the province of Nova Scotia, and is a Canadian registered charity (Charitable Registration Number: 887070142RR0001).

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Statement of Principles

The Genuine Progress Index is based on the fundamental understanding that social, economic and environmental realities are inextricably linked. Although we conventionally measure prosperity by material gain, the GPI recognizes that true long-term prosperity and wellbeing are ultimately dependent on the protection and strengthening of our social and environmental assets. If these deteriorate, we are not living "sustainably" and we leave a poorer world to our children.

The Genuine Progress Index also recognizes that any index of progress is value-based and must answer the question "progress towards what?" The use of the Gross Domestic Product as a measure of progress is also value based, and assumes that "more" is always "better." By contrast, the GPI adopts a set of broader consensus values in which "less" may sometimes be "better," as in the case of crime, pollution and sickness, and in which the vision of the future reflects a healthy and educated populace, decent living standards, strong and safe communities, a clean environment, and healthy natural resources. Because these are consensus values held by all segments of society and all political parties, GPI Atlantic is entirely non-partisan.

The GPI gratefully acknowledges and uses outstanding work in indicator development from a wide variety of sources, and seeks to integrate and apply this work in practice in one jurisdiction — the province of Nova Scotia. The Nova Scotia GPI was developed one component at a time over a period of 12 years, and has now been updated and integrated into a comprehensive 2008 Nova Scotia Genuine Progress Index that is ready to use and apply in practice.