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Undergraduate thesis on
Beyond GDP: the saliency of the natural capital in the new definition of well-being

ABSTRACT IN ENGLISH

This work is aimed at stimulating the attention of the readers on the importance of adopting human well being measurement's system more inclusive of the environmental aspects of progress. We have started this thesis talking about the value of natural capital for the human existence. In the first section, indeed, we have explained that the natural capital provides goods and services, which cannot be replaced, to humans, with the assets originated from other kinds of capital (manufactured, human or social capital). Experts and scientists are classified these services, called “ecosystem services”: they have recognized some types of services through which ecosystems provide food, raw materials, carbon sequestration and storage, waste-water treatment, mitigation of natural disasters, biological control, biodiversity conservation, habitats for every species of fauna and flora and, finally, regeneration and pleasure for humans. Hence, it is generally acknowledged that nature has the power to improve the human's physical and mental status. Thus, a lot of studies have attempted to measure the value of natural capital, in order to facilitate its integration in the national statistical systems used in the policy-making process. A notable research led by Robert Costanza in 1997, showed that ecosystem services are worth about 33 trillion per year, 1.8 times the value of annual GDP.

Moreover, it has been highlighted that improving our well-being measurement systems means also to guarantee an economic and environmental sustainability to future generations. The question of sustainability has encouraged many studies about the methods of controlling the depletion of natural capital and the Earth's carrying capacity. Referring to this, we have mentioned the “Ecological Footprint's

assessment” of Mathis Wackernagel or the “Productive Base” theory of Partha Dasgupta.

Although nowadays the worth of ecosystem is increasingly taken into account, the process towards this important result has been long and complicated. In the second section of this work, thus, we have illustrated how environmental questions have finally reached higher positions in the political agenda.

Political institutions of the whole world started expressing concern for the environment in 1972, when the first United Nations Conference on Human Environment occurs. During this event, it was declared that keeping our natural capital intact probably represents a key-factor in order to preserve human species and increase its future wealth. Nevertheless, we had to wait for the United Nations Conference on Environment and Development in Rio de Janeiro in 1992, for obtaining a true commitment to include environmental data in the national statistical system of all the governments worldwide. The Agenda 21, the main document composed during this Conference, at chapter 8 talks about *“a program to develop national systems of integrated environmental and economic accounting in all countries”*. Thanks to this disposition, the SEEA – System of Environmental-Economic Accounts was developed. It was adopted in 2012 as the first international standard for environmental-economic accounting, because it permits to organize economic and environmental data in order to achieve complete statistics and time series. These information are very useful for a well-informed decision-making process.

The next step made by institutions of the whole world, was focusing the discussion about the assessment of human well-being, on the principal measure of wealth employed since about 1940: the GDP. In the second chapter of this work we also analyze the evolution of this debate. Even though the same Simon Kuznets, “father” of GDP, declared in 1934 that *“The welfare of a nation can scarcely be inferred from a measure of national income”*, policy-makers and rulers have always based the majority of their economic strategies on the increase of GDP. As the Nobel laureate Joseph Stiglitz highlighted in an article edited in OECD Observer *“GDP does not take depletion of natural resources or environmental damage into account any more than it takes account of capital depreciation, despite the fact that depreciation siphons wealth away from growth towards replacing existing technology and capital. Measuring progress must take depletion into account.”*

The first initiative to deepen this debate was the 2nd OECD World Forum on “Measuring and Fostering the Progress of Societies”, held in Istanbul in June 2007 and created by the then OECD Chief Statistician, Enrico Giovannini. On this occasion the so called “Global Project on Measuring the Progress of Societies” was born. This is an international platform, launched in 2008, in order to coordinate and interlink together the international initiatives for improving systems of measurement.

Afterwards, also the European Union, with the collaboration of the WWF, the Club of Rome and the OECD, attempted to introduce itself in this debate, by organising an international conference called “Beyond GDP - Measuring Progress, True Wealth, and the Well-being of Nations”.

The impulse received from these international and European events led Nicholas Sarkozy, the then French President, to establish, in 2008, the Commission on the measurement of economic performance and social progress (CMEPSP) coordinated by the Nobel laureates Joseph Stiglitz and Amartya Sen and the famous economist Jean Paul Fitoussi. In their Report, edited in September 2009, among the other assessments analysed hereinafter, they have emphasized a crucial question: “*What we measure affects what we do*”. According with this Report, it is necessary to understand that people’s quality of life depends on several dimensions, not only on the increase of GDP. These dimensions, in fact, deal with health, education, environment, job, security and others. This means that the whole human life’ sphere has to be taken into account when governments act.

Finally, in August 2009, the European Commission sent a Communication to the Council and to the European Parliament, entitled “GDP and beyond - Measuring progress in a changing world”, that the Parliament adopted in June 2011 with a Resolution. Definitely this document lead the way for other initiatives aimed at completing the measurement system that was growing within the European Union.

In the third chapter we have observed the genesis of the Italian synthetic indicator of measurement of the fair and sustainable well-being, called *BES - Benessere Equo e Sostenibile*. The idea of this indicator was born in 2010, thanks to the work of the Italian Statistical Institute (ISTAT) and the National Council of Economy and Labour (CNEL). They have elaborated this tool in the wake of the OECD Better Life Index. Both *BES* and Better Life Index, in fact, try to follow the instructions

provided by the Stiglitz-Sen-Fitoussi Commission: they want consider all of the dimensions of human life that compose well-being in their formulation. It was interesting to discover that, during the initial phase of construction of *BES*, ISTAT and CNEL have particularly taken care of the citizens' opinions. In fact, through an online survey, people could express their personal opinion regard to the most important dominions to include inside the *BES*. We consider this important attention to the citizen's opinion as a very positive progress in relationship between civil society and institutions. According to our point of view, it is likely that this behaviour, probably encouraged by the economic and social crisis that has been affecting Europe and United Stat since 2007, show a raised care for the true, sometimes dramatic, life conditions of people.

However, in this work we have especially examined the domain of Environment. We have reported some significant data about the dimensions that ISTAT and CNEL judge relevant for understanding the environment's status. These information focus, namely, on the level of carbon emission, the availability of potable water, the amount of electricity generated from renewable sources, the air's quality and the availability of green spaces in our cities and other fundamental aspects for human wellness.

The data about Italian environment presents an heterogeneous situation. In fact, although in the majority of our cities the limit of PM_{10} concentrations, established by italian law, is exceeded too often each year, at the same time, we produce a notable quantity of energy and electricity from renewable sources. Hence, this situation appears to improve gradually.

Finally, we believe that, overall, the path towards a complete integration of every human's life dimensions and environmental aspects, in national measurement systems is achieving good results. The Italian *BES* is a clear example of this raised awareness: PIL does not make people happy.