

The Future we Want
Discussion Series

**2. Re-imagining
how we measure
the economy**
(for the future we want)



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The Cambridge Institute for Sustainability Leadership, (CISL), held the second of its Future we Want discussions on October 9th, 2020. The focus of this session was on: 'Re-imagining how we measure the economy'.



Matthew Agarwala



Céline Charveriat



Idar Kreutzer



Mashudu Ramano



Robin Millington



Jake Reynolds

The esteemed panel of speakers from a wide spectrum of interests included: Robin Millington, CEO, Planet Tracker, Matthew Agarwala, Project Leader, Bennett Institute for Public Policy, Céline Charveriat, Executive Director, Institute for European Environmental Policy (IEEP), Idar Kreutzer, CEP Finans Norge, and Mashudu Ramano, Founder & CEO, Mitochondria Energy Company. The debate was chaired by Dr Jake Reynolds, Executive Director, Sustainable Economy at CISL.

How we measure wealth: GDP and the need for an alternative dashboard

The Covid-19 pandemic, along with existential threats like climate change and biodiversity extinction have further called into question the measures used by governments to guide economic performance; which, for many, do not deliver for things like family, health, community, and nature. An unprecedented window exists to question how we could design an economy to deliver a sustainable future.

Robin Millington, the first to speak on the panel, pulled no punches about current GDP measurements: "GDP is my favourite dashboard object. I love to throw darts at it." She reminded participants that GDP as 'a measure of wealth' was only developed in our parents and grandparents' lifetimes and is not set in stone. When framed in the 1930s, voices called for welfare to be incorporated into such a measurement, and things like armaments to be excluded. But such ideas were drowned out, and at Bretton Woods GDP formally adopted a narrow definition of financial growth alone. We all know the phrase, "you've got to be careful what you wish for. You might get it," said Robin. "Well, be careful what you measure. You might get it."

Robin Millington described how perhaps we should learn from our own pensions: "We pay into a pension fund because we think in the future at some time, we are going to need that money. Yet we look at the environment as something that we are just using today, and we are not paying into that environmental pension." Robin gave the example of fish in the ocean being plundered because they are a global common. "We have to change," said Robin. "What shall we call ourselves; the post-peak oil generation, the biodiversity generation, the sustainability generation? We need a new Bretton Woods to sit down and think through the new economic system just as we did in 1945." In response to a question from a participant about where responsibility lies, Robin said: "It takes a village. It's not just the financial community, not just the regulators, not just the consumer pressure.

Too often we get reductionist about this...What I see happening is we are getting surround sound. Pressure on the consumer side, governments starting to listen, more companies concerned about it either because they think it is the right thing to do or they are worried about reputational risk.”

Next to speak was **Matthew Agarwala**. Matthew said that it is important to recognise all the improvements that have been made over the past fifty years in literacy, better health, a decrease in violence, together with a spread of ideas, cultures and art around the world and more. “All of these great successes have come alongside the meteoric economic growth.” However, at the same time “two-thirds of the population still live on less than ten dollars a day, and that is a tragedy, a moral and economic fail.” Of course, this is in addition, he added, to the 1.5 trillion tonnes of CO2 we have put into the atmosphere and the catastrophic species decline that is at our door. So, “how could our economic model have got it so wrong?” Matthew said it was because “we have focused on just the outcome and not the underlying support system.”

Matthew Agarwala gave an analogy of a bakery. “You can focus on the size of the pie that you produce. But every one of us could realise quite quickly, that the size of the pie produced in the future is dependent on the stock ingredients we have in the pantry. And, if we are running out of ingredients our future pie will be smaller.” Asked a question from a participant about how to include the right kind of measurements into any future alternative to the current GDP system, Matthew responded, “the best approach is to have a dashboard of indicators. We can all drive a car and have a dashboard with five or six different dials telling us five or six different important things, and we can assimilate that information to make decisions in the car. We should be able to do at least as well for the national economy.”

Céline Charveriat spoke next and said there is a growing body of experts who say that Europe should be looking to “reduce per-capita material footprint by 80% by 2050”. Céline reminded participants that although the mantra of the previous Commission was ‘jobs and growth’, the European Green Deal is very much about “competitive sustainability and resilience”. Everyone will be watching where Europe puts the €72 billion recovery and resilience facility package. Member states will have to present their reports to show action, she said. Answering a participant question about the role of experts in decision making, Céline suggested scientists are becoming politically active and are most trusted in the polls. Another participant’s question was ‘how do we speed things up?’, and Céline answered, “There are already a lot of pragmatic steps that can be taken now. It takes society often to change before government has the courage to take that step”. But that might happen tomorrow.

Idar Kreutzer was next and told participants that progress is being made, for example, with environmental measures gaining traction in the investment community. By the end of 2019 they had issued more than 850bn in green bonds, he said, adding: “Social bonds are on the rise. In April 2020, it was the first time more social bonds were issued than green bonds. And the first half of 2020, there were double the amount issued than in the whole of 2019.” He went on to say, “Deutsche Bank has forecast that some sort of ESG mandate, in both fixed income and equities, will reach more than 90 per cent of the market by 2028.”

Idar Kreutzer said he sees environmental, social and governance issues which have been driving investment beliefs for a number of years: “are getting mainstream. I have been working in this field for more than twenty years. More has happened over the last two years than in the previous 18.” Compare green with brown pricing, and you see significantly higher pricing on green investments. He believes, and research has shown, that these investments are expected of us by our employees, by our customers and that regulatory change is also a key driver. He said from his perspective and feedback he has seen, “We are working on this because it is the right thing to do. We are not only professionals; we are not only managers. We are all fathers, sisters, brothers, mothers. We want to be on the right side of history. Be part of the solution and not a part of the problem.”

Mashudu Ramano was the last to speak before final questions, and told the panel “if you want to change an existing system, don’t fight it, create a new model that makes the existing model obsolete.” He said it is also crucial to look at it from the perspective that we are all interconnected and have a responsibility to look to ourselves and see how we participate in society and nature. He agreed with Robin that at a governmental level, it is time for another Bretton Woods. “This 70 years old system has shown by the results that it is not a system that sustains life or preserves natural resources; it is one that is fuelled by greed and financial returns.” When asked how we can accelerate innovation and have more sustainable companies for the future, Mashudo said we have to see that things have an intrinsic value. “At the end of the day, it is not government’s responsibility, not business responsibility alone. It is all of us.” Mashudo also gave the example of the introduction electric vehicles, and how the initial work was not driven by economics but by a vision which has gone a long way.

Matthew Agarwala made a pertinent closing point, reminding participants that governments around the world are releasing Covid-19 stimulus packages into the tens of trillions right now.” Every penny of that can either be invested in things that move us towards a just transition, towards a low carbon climate-resilient economy that protects nature and protects the rest of the assets we need in our economic pantry. Or, we can waste this money propping up the dying industries of the past. In the UK, they’ve earmarked 4 or 5 billion pounds specifically for green investments from our Covid-19 stimulus package. For perspective, that’s about what we spend on chocolate every year.”

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