

Economics and Sustainability: IISD begins work to measure Canada's wealth and continues to examine models used to count the economic costs of climate change

Though it may be cliché to say so, it's true that what gets measured gets managed. And the reality is that measurement of the environment pales in comparison to measurement of the economy. Governments employ thousands to monitor and report economic conditions and trends. A slight fraction work to measure environmental trends and underlying values. For example, in Canada, nearly six times as many staff are paid to measure the single composite indicator of GDP than work on *all* of Statistics Canada's environmental data. GDP is only one of dozens of economic measures routinely reported by the agency. The imbalance is striking. If what gets measured does indeed get managed, then it should come as little surprise that our governments pay far less attention to the environment than to the economy.

Equally troubling is the narrow focus in economic measures themselves, which centre largely on a small suite of highly influential macroeconomic indicators. Of these, GDP is the best known. While of central importance in managing the economy, GDP and its counterparts all focus on short-term economic conditions. Much less attention is paid to understanding the foundations that ensure the long-term viability of the economy; that is, to how we think about our wealth in a combined manner, of which GDP is but one indicator.

In the past, wealth was defined to include only produced and financial assets. In recent years, however, our understanding has broadened considerably, and wealth is now defined to include natural, human and social capital as well. Collectively, these five asset categories have come to be known as comprehensive wealth. Each is important in its own right because each is an input into the broad "production function" for societal well-being.

Compared with short-term indicators like GDP, we know relatively little about produced and financial assets and next to nothing about the other elements of comprehensive wealth, especially natural capital. This imbalance reinforces decision-makers' fixation on the "here and now" at the expense of the future. It also fails to remind them of the connection between income and assets and the need to invest in the latter to generate the former.

To address these shortcomings, the Ivey Foundation has funded IISD to prepare an comprehensive wealth report for Canada. The report will be indicator based, with strong narrative elements to help readers understand what is being measured and why it is important. Its purpose is to encourage Canadians and their governments to move "beyond GDP" as the fundamental measure of societal progress. IISD Senior Associate Rob Smith and IISD colleagues will release this report in mid-2016.

IISD is also working to better measure the economics of climate change action. IISD has collaborated with Robert Repetto, Robert Easton and Jason Dion to examine and, where needed, modify the standard climate-economic model—based on William Nordhaus's DICE model—in order to bring forward different economic scenarios. An initial report released in September concluded that models tend to overstate the costs of climate mitigation but understate the economic benefits. That report can be found [here](#). A series of follow-up reports, based on running the standard model with different assumptions, will be available in the first half of 2015.

In its work on climate change mitigation, IISD often incorporates consideration of environmental and social co-benefits, but the lack of reliable indicator data can make this a challenge, underscoring the importance of measuring the various aspects of comprehensive wealth in a rigorous and transparent way.

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