

## Economic Data Inquiry

### Scottish Environment LINK

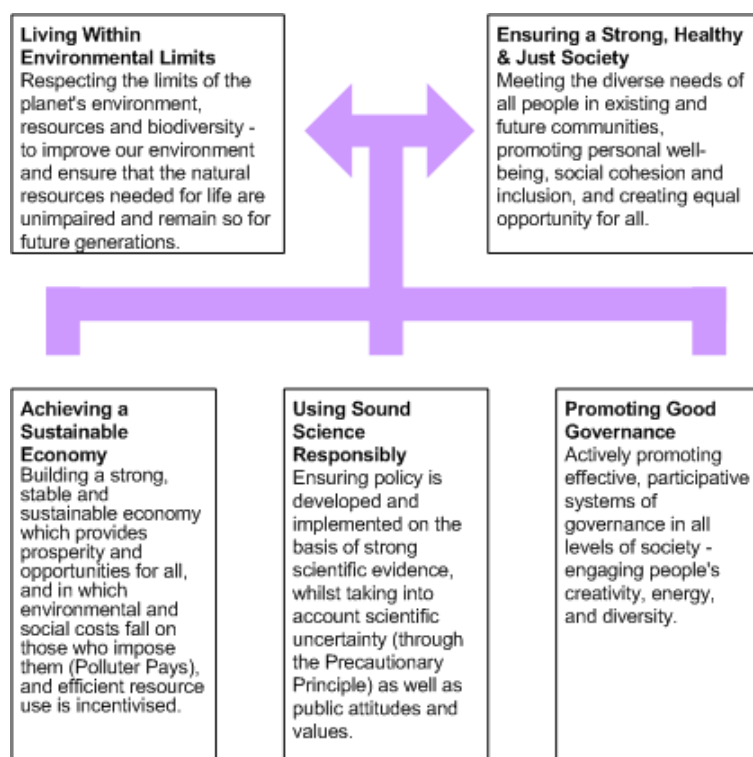
Scottish Environment LINK Economics group welcomes this opportunity to comment on economic data and how the health of our economy should be assessed.

#### **There is too much emphasis on GDP**

GDP only assesses levels of economic activity, or how busy the economy is. It takes no account of whether it is socially desirable activity or the affect it is having on the environment. As Simon Kuznets, the creator of GDP, said *‘Distinction must be kept in mind between quantity and quality of growth, between its costs and return, and between the short and the long term. Goals for more growth should specify more growth of what and for what.’* Joseph Stiglitz: *‘Any good measure of how we are going must also take account of sustainability.’*

#### **The relationship between our economy, wellbeing and the environment - The principals and hierarchy of Sustainable Development**

Our economy is a means to wellbeing and needs to operate within environmental limits. This is clearly shown in the diagram below.



Taken from: *One Future Different Paths - The UK Shared Framework for Sustainable Development*

Indicators for economic activity need to gauge whether our production and consumption of goods and services is sustainable and contributes to wellbeing. A sustainable economy should deliver sufficient employment and

household income for households to meet wellbeing needs without over-exploiting the environment.

**Data is needed to assess:**

- **Contribution of the economy to wellbeing**, through for example data on employment (quality as well as quantity) and household incomes.
- **The impact of the economy on the environment**, through data on waste produced, and resources used, both in Scotland and overseas. The resources used in the production of the goods we consume can be assessed by the ‘four footprints’<sup>1</sup>. The carbon footprint captures the full amount of greenhouse gas emissions associated with goods/services consumed, material footprint illustrates the material extraction and use related to the goods/services consumed, the water footprint measures the freshwater used to produce the goods and services we consume, and the land footprint assesses the land areas required to satisfy final consumption.
- **The health of our assets**, through data on natural capital, the status of infrastructure, levels of credit/indebtedness, and our human assets – knowledge and skills<sup>2</sup>.

The table below gives some indication of relevant data sources

<b>Contribution of the economy to wellbeing</b>		
Median household income	Median household income	
Income and wealth inequality	GINI coefficient	
	Palma ratio <sup>3</sup>	
	Wealth inequality measure	
Financial security	% with access to savings of £500/£1000	
	% in debt	
Work quality	% satisfied with their job <sup>4</sup>	
	Underemployment	
	Job security/contract lengths/number in job after 6 months	
	Rates of pay	

<sup>1</sup> [http://ec.europa.eu/environment/enveco/resource\\_efficiency/pdf/FootRev\\_Report.pdf](http://ec.europa.eu/environment/enveco/resource_efficiency/pdf/FootRev_Report.pdf)

<sup>2</sup> The ‘Inclusive Wealth Index’ measures the social value of an economy’s capital assets. Summary at <http://oneworld.org/2014/12/08/more-than-half-of-countries-consuming-beyond-their-means/>

<sup>3</sup> Ratio of the richest 10% of the population’s share of gross national income divided by the poorest 40%’s share and addresses the Gini index’s over-sensitivity to changes in the middle of the distribution

<sup>4</sup> From Social Attitudes Survey

<b>The impact of the economy on the environment</b>		
Material footprint	RMC - Raw Material Consumption <sup>5 6</sup>	These footprint indicators to be complimented by land footprint when data becomes available
Water footprint	Water footprint <sup>7</sup>	
Carbon footprint	Annual greenhouse gas emissions from consumption	
Waste which is not recycled or composted	Tonnage of waste to landfill or incineration	
Waste arising	Tonnage of waste	
<b>The health of our assets</b>		
Scotland's natural assets	Natural Capital Asset Index <sup>8</sup>	
Levels and types of infrastructure	Total non-financial assets net worth	This is the measure used by ONS.
Financial capital	Levels of national net debt	Note we support the use of borrowing powers to invest in social and environmental wellbeing
	Levels of total individual net debt	
Human assets	Levels of knowledge and skills	

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<sup>5</sup> <http://ec.europa.eu/eurostat/documents/1798247/6191533/RME+project+-+Introduction+-+Oct+2015.pdf/041dd5c9-e691-4123-badb-d1ed3686c08c>

<sup>6</sup> <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/sustainabledevelopmentindicators/2015-07-13>

<sup>7</sup> The Water Footprint Network support governments in implementing water footprint accounting <http://www.waterfootprint.org/?page=files/WFN-mission>

<sup>8</sup>This index is useful but in need of refinement.