

**Genuine Wealth:
Building an Economy of Well-being for the City of Leduc and Leduc County¹**

Mark Anielski
January 6, 2006

Robert Kennedy, in one of his last public speeches in 1968, noted that “Too much and too long, we seem to have surrendered community excellence and community values in the mere accumulation of material things.” He went on with a stinging critique of the primary measure of economic progress – the Gross National Product (GNP) or Gross Domestic Product (GDP) — stating unequivocally that it inappropriately counts environmental pollution, advertising for cigarettes, the building weapons of mass destruction, and the cost of clearing our highways of the carnage from autocrashes as “economic progress” yet fails to account for the strength of our marriages, the joy of our children’s play and the integrity of our public officials and intelligence of our public debate. He concluded by stating “It [the GNP] measures everything, in short, except that which makes life worthwhile.”

As an economist I know that GDP is a very crude way of measuring the well-being or health of a community, nor was it designed as a measure of welfare. The GDP is like a faulty calculator that only knows how to add up all the expenditures in an economy without distinguishing between economic activity that contributes to genuinely societal well-being and those that detract. Nations like a comprehensive balance sheet that reveals the actual conditions of our human, social and environmental wealth or capital assets.

As an economist who measures quality of life and sustainability, Kennedy’s words have inspired my work. My work involves providing strategic counsel to governments (from Canada to China), communities (from Edmonton to Santa Monica) and corporations (Suncor Energy) on how to develop practical performance measurement systems that measure their genuine progress, sustainability and overall well-being in accordance to their core values. I see too often that the indicators we are using to measure progress are out of touch with what individual citizens value most. I believe that we need to move beyond conventional measures of the mere accumulation of more material possessions, as the GDP does so well, and beyond a “growth” myopia to a new vision: an economy of well-being and genuine stewardship of our common wealth.

These epiphanies began during my tenure with the Alberta Government where for 13 years I served as a senior economist and policy advisor with the Treasury Ministry (and before that with Environment) in the design of Alberta’s government accountability system – the business planning and performance measurement system we called *Measuring Up*. It was then that I began to realize that there was something fundamentally misguided about how we measure progress. A measure like the GDP is inadequate as a measure of well-being. Like Kennedy noted, the GDP and national income accounts, fail to actually measure the things that make life worthwhile. We could thus be oblivious to the erosion of our “living capital” assets as we fixate on a growing economy.

¹ This article was published in the April 2006 edition of *Municipal World* magazine.

In response to this reality, I began to envision a new system of performance measurement: “genuine wealth” accounting. I realized that the performance indicators we had developed to track the Alberta Government’s performance outcomes were not necessarily aligned with what Albertans valued most about life. Most Albertans ignored the indicators we were reporting.

How then could we design a system of performance measurement and management that aligned with our values and that measured the conditions of well-being of our households, the environment and our community, as a whole? This became my new passion.

I began to explore the very roots of the language of economics and business. I learned that the word economy comes from the Greek meaning “the stewardship (or management) of the household.” I learned the word “competition” comes from the Latin meaning “to strive together.” Most importantly I learned that the word “wealth” was not simply material possessions but literally means, in the Old English, “the conditions of well-being.”

If this were all true than I reasoned that we could devise a new system of accounting for the well-being of our communities and our organizations. I called this new model *Genuine Wealth*. The word *genuine* means to be authentic or true to our values. Combined with the rediscovered truism of the word *wealth* we have a new system of accounting for the overall well-being or quality of life of a community or organization. These conditions of well-being would encompass at least five forms of wealth or capital: human capital (people), social capital (relationships), natural capital (environmental assets), built capital (infrastructure) and financial capital. One of the definitions of the word “capital” is literally synonymous with the word wealth.

The Genuine Wealth model recognizes that in order for a society or organization to be flourishing and sustainable requires that all five forms of capital assets of a community be seen as an integrated whole and in harmony with each other. The result is a new kind of “balance sheet” that measures the state of all the assets, liabilities and equity (distribution of wealth) of a community. In addition, the Genuine Wealth model considers the full financial, social and environmental costs of doing business, running a municipality or public policies. Full cost accounting involves taking into account the true environmental and social depreciation costs associated with economic progress as including unaccounted benefits of human and social capital assets, such as the value of unpaid work and volunteerism.

Using this new Genuine Wealth accounting system genuine progress indicators can be derived that actually align with the quality of life values of greatest importance to citizens in community. In other words, we begin to measure and manage the things that make life worthwhile. Moreover, I believe we become more informed and wiser stewards of our shared, common wealth recognizing that we are all careholders (not only shareholders) in our collective well-being. A flourishing economy of well-being and sustainable wealth stewardship is now possible that goes beyond our historical model of more growth and another increment in GDP.

It was this vision of a new economy of well-being and Kennedy’s quote that inspired Pat Klak, Executive Director of the Leduc-Nisku Economic Development Authority (EDA), to ask me to assist her in proposing a Genuine Wealth assessment for this prosperous

economic region of Alberta. Leduc-Nisku, also known as the “International Region”, is a large (2,614 square kilometers) and mostly rural area just south of the city of Edmonton with a population of roughly 40,000 citizens. The region includes the City of Leduc, with a population of 16,000, and other smaller communities that comprise the rest of the region known as Leduc County. The Edmonton International Airport is also a key economic entity in the region. The Nisku Industrial Business Park is western Canada’s largest business and industrial park with over 400 companies and employing more than 6000 highly skilled trades and professional workers. The region boasts one of the highest GDPs per capita anywhere in the world; TD Economics recently noted that the Red Deer-Edmonton corridor has the second highest GDP per capita, after Luxembourg, in the world.

So why would such a prosperous community be interested in measuring its overall quality of life and state of well-being? Pat Klak sensed there was more to life in Leduc than another increase in GDP or more industrial output. She worried that a community so successful economically might lose sight of the things that contribute to the quality of life in the community. Leduc City council wanted to know “why do people choose to live, work and stay in Leduc?” and “why are our kids leaving the community?” In other words, what are the key assets of this community that makes life worthwhile? What are its weaknesses or liabilities to future quality of life?

The one-year Genuine Wealth assessment was thus launched in June of 2005 with financial support from the Federation of Canadian Municipalities, The Edmonton Community Foundation, the City of Leduc and the Leduc-Nisku EDA. The goals of the project were three-fold. First, to inventory the attitudes of citizens towards their quality of life by asking them simple quality of life questions — what they love about their community, what works, what doesn’t, and what they would like to see change or improved. I’m using various instruments including on-line surveys, personal interviews and talking with a number of the over 90 social groups, including talking with high school kids and seniors. This quality of life inventory will take about 6 months to complete. Turns out, people love to talk about this stuff. The result of this first phase of the project is to get a sense of what how happy people feel about their life in Leduc. Early results suggest that people love the small community atmosphere as a key asset for living, working and raising their families. They love their safe parks and play areas and feel Leduc is a safe place to walk after dark. Perhaps most importantly, people feel a strong sense of belonging and neighbourliness.

The second goal of the project is my Genuine Wealth assessment using a host of indicators of the physical and qualitative conditions of the human, social, natural, built and financial capital assets of the City of Leduc and Leduc County. Like a well-being doctor, this will give me a strong sense of the strengths and weaknesses of the community relative to the province of Alberta as a whole and in comparison with other larger centres like Edmonton and Calgary. Unique inventories will also be conducted including an Ecological Footprint Analysis of the households in the region to assess how in harmony their economic life-styles are with the natural environment they occupy. Turns out that Leduc County has some of the best, most arable agricultural land in the province. Finally, my goal is to begin aligning the indicators of well-being with the values citizens express as key to their current and future quality of life. The result is a Genuine Wealth checkup or well-being diagnosis.

The final objective of this project is to use the results of the Genuine Wealth assessment in local municipal governance and decision-making; the City of Leduc will be using the results of the assessment to develop its long-range municipal plan and guide its annual strategic-business planning process. Imagine if governments began to be rewarded for their stewardship of the total wealth of their communities?

Across Canada many communities are developing quality of life indicators or assessing their sustainability. The Leduc-Nisku Genuine Wealth project is the first of its kind in Canada to develop a new comprehensive system of measuring and managing the total wealth of a community as a tool for developing a genuine economy of well-being.

My hope is that when indicators of progress align with the values that citizens hold in their hearts we can revitalize our democracies and empower citizens to engage as co-stewards of the community's shared assets. We can then begin to move beyond households as simply consumers to genuine citizenship; from economies of growth to economies of well-being.

*Mark Anielski is an economist and President of Anielski Management Inc. which specializes in measuring quality of life and sustainability of communities and corporations. His forthcoming book *Genuine Wealth: Economies of Well-being* will be published in April of 2007. For more information about the Leduc-Nisku Genuine Wealth project contact Mark at anielski@telus.net or visit the Leduc-Nisku Economic Development Website (www.leduc-nisku.ab.ca) or the City of Leduc's website (www.city.leduc.ab.ca)*