

Interview with Mark Anielski

HASSAN MASUM, 9 MAY 08

We recently had a chance to talk with [Mark Anielski](#), Albertan and author of [The Economics of Happiness: Building Genuine Wealth](#). Mark has been working for many years on better ways of [measuring progress](#), and this conversation delves into the potential of moving beyond GNP. Whether in measuring a sense of community or [valuing ecosystem goods and services](#), better measures of progress can align us on the targets that really matter.

Hassan Masum: In your book, you have this [great quote from Robert Kennedy](#) about GNP, which I was amazed to read because it was back from 1968 or so - 40 years ago. It seems like we've had some progress, but not a whole lot of progress since then. Could you give us some framing thoughts as to why better measures of progress are so important, and why if they are so important they have taken so long to get popular?

Mark Anielski: Robert Kennedy's challenge was to economists and politicians to begin to measure the things which make life worthwhile, and not things like oil spills and car crashes and treating cancer as somehow genuine progress. So his challenge in '68 wasn't really responded to seriously until the mid-1970's by some economists, and then in 1995 by [Redefining Progress](#) out of San Francisco where they created the [Genuine Progress Indicator](#).

This whole GDP accounting system was developed during World War II by John Maynard Keynes in Britain, as a way of figuring out how much cash was flowing through the British economy so they could tax the British people to help pay for the war. The war is long over, but we still have this accounting system that adds up all cash flow in the economy, and doesn't distinguish between expenditures that contribute to well-being and those that may in fact represent erosion of well-being.

HM: That sounds great, and you have a good analogy in your book about how during wartime it actually does make sense, perhaps, that all

production is geared toward the single goal of defeating the enemy, whereas in peacetime it's a much more differentiated kind of beast.

But just to play devil's advocate for a minute: a lot of our readers are familiar with the idea that GDP is flawed, but GDP at least has the feature of being relatively objective, in the sense that you're measuring a single quantity which says if a transaction did happen or didn't happen. How do you extend this to more subjective dimensions like the ones you talk about - for example, community well-being, a sense of neighborliness, that kind of thing?

MA: Well first of all, we're not saying throw the GDP out the window. We're saying that when we track expenditures as a society, we have to distinguish between those we think are contributing to the genuine well-being of society, and those for which we would say, "gee, we'd probably not want to clean up after a hurricane or an oil spill" or "that effort wasn't really progress, it was an unfortunate expenditure that we'd rather not have made". That's the first thing we have to do as a society, and right now we don't do that at all - economists don't do that and politicians don't do that with the GDP.

On the subjective side of quality of life, there are lots of things that don't have a monetary expression, including happiness. People would say we can begin to monetize happiness by what job loss does to your lack of productivity in the economy, and how much counseling you have to get to get over your depression and all that. There are some areas of subjective well-being that may never have a monetary expression, but we can ask people things like "what's your sense of belonging to a community?" "how's your spiritual well-being?" - we can ask those types of questions, that would expand the way we account for progress, beyond the monetary expressions of transactions.

HM: Would it be fair to split the kinds of measures you're talking about into two categories? Category one would be transactional - something like a net version of GDP or GNP, where as you say the transactions or activities which are harmful are netted out from the beneficial ones. Category two is maybe more of an indicator-based set where you're asking people or otherwise surveying or understanding properties of the physical or social world, but which are not directly linked to particular transactions.

So category two is more like a dashboard of where we are; category one is talking about the flows of transactions and activities. Is that a fair distinction?

MA: That's exactly what my Genuine Wealth model proposes. The first thing any auditor does is take inventory, and that gives you a physical counting - you can count the number of automobiles in an auto dealership, and then you can figure out what the market value is of those automobiles.

The first thing you do is you measure what you've got, in physical terms, so the Genuine Wealth model says the first thing you do is measure how many trees you have, how much agricultural land you have, how many people you have, what their skill set is, how many degrees people have...and then beyond that we can begin to measure what the market says it's worth.

So out of this new accounting system, you can derive indicators of well-being or sustainability, and those are not necessarily monetary. It's like in a financial statement you can generate price to earnings ratios for investors - same thing with this accounting. You can generate quality of life indicators from the inventory you've taken, and then begin to hopefully make better decisions than those purely based on, say, looking at only revenues or costs of a company.

HM: That's a very interesting parallel. It sounds like you have parallels with both capital statements and income statements on a financial statement, and also as you were saying those financial ratios which dig a little bit deeper into those statements and tell you whether the company is healthy or in danger. All those seem to have parallels in the Genuine Wealth model, which cover a broader range of issues.

MA: Yes - my message is that what we lack right now is a balance sheet for the nation. We basically have an income statement, and are only looking at the revenue line in the income statement, or the expenditure line. So we have no capital accounts for natural capital - for trees, and all the other things that nature provides for free.

We don't have a human capital account - we may know population but we don't know what the skill set is of the population. What are the capacities for a population or community to be flourishing? What's your diversity of skills? We

don't have a social capital account, which is a sense of belonging or a sense of trust with each other, and relationships with each other.

So it's like flying a 747 - I've told the chief economist of one of the big banks in Toronto this years ago - with three instruments on, when you know it's way more complicated. We don't have a complete dashboard, we don't have a balance sheet, and when economists say "oh that's OK"...would you say that to any large company's CEO or board of directors, that we don't have a balance sheet?

HM: One challenge would be, I suppose, that these kinds of assessments would work or be applicable over multiple scales, all the way from global to regional, to company based, to even personal. How would you interlink those different levels of assessment - is there a way to for example automatically take all the ones at a lower level and compile them into a higher-level aggregate?

MA: In theory. Right now, the GDP, for example, is generated by a survey of households and businesses. That survey is only done once a year, and quarterly data is projected. So even with GDP, you're only measuring a subset of society, and then of course scaling that up and saying well, if we think our sample size is right, then we can just scale it up to the number of citizens and assume that represents the actual economic flows.

We could do the same with this accounting system. We can, for example, expand our household surveys to include some of these other attributes of trust and belonging. And in some cases in Canada, with Statistics Canada, we already do what's called a [General Social Survey](#) - in the US they have similar surveys. We can begin to track how people use their time - we've been doing that in Canada since the mid-70's with time-use surveys.

What I'm saying is that a lot of the data already exists. Some of it's incomplete, but what we're talking about is creating a consolidated accounting system, if you like. I've done it with corporations. Are they ready for it yet? Not necessarily, but we're bringing everybody to the table and saying, you're collecting data already, what we're going to show you is how to consolidate this, so that we can tell a story that's more than just financial performance.

So again, this can be scaled from the household, to the enterprise level, and then

of course to the municipal or macro-economic level of governance.

HM: So the data partially exists, but it's more a matter of building a system which will link it together. But who do you see being the people or groups who would make that happen?

MA: Well, it primarily would be the statistical agencies: Statistics Canada, the Bureau of Economic Analysis in the US. Those existing institutions would be either redesigning the surveys they currently use, or seeing how they're closely inter-related - basically working on what already exists, and creating a different "state of the nation" type reporting that would balance the economic performance with social and environmental indicators of well-being.

HM: It sounds good, but what do you see as being the path to implementation? You're talking about the end state, but what would some intermediate goals be from here to there?

MA: Intermediate goals would be to just develop the first preliminary set of accounts, if you like. Right now, the treasurer or the finance minister is simply reporting on economic performance. Now the treasurer could also be talking about what's happening in air quality and water quality, whether water aquifers in the nation are healthy, income inequality which is the biggest indicator of society's human health, and suddenly the conversation - the news in the morning is different than simply listening to the stock market report.

Media could get involved, so the morning news doesn't end with just the hockey or the football scores - it ends also with financial market updates, and with some type of suite of indicators on quality of life. And then the conversations change at the dinner table, and in the coffee shops - it's creating awareness. What happens, though, is most people couldn't care less about the stock market report. I don't care - I'm an investor, but I don't really listen. I care about my portfolio, but even then...most people are bewildered by what all this data means.

And I think what it creates is a new awareness. I think if we measure what matters, which is what Kennedy was saying, then people may be more engaged. They're more conscious, and they're bringing that consciousness into their workplaces, to the dinner table, with their family, and with their neighbors.

HM: That's interesting. So you're really talking about a sort of co-evolutionary process, where once the indicators are there, even if in a rough form, they'll probably then be picked up by media or other outlets. That probably will raise consciousness, which will feed back to the indicators and make them more likely to be accelerated - a virtuous cycle.

MA: That's right. Behind all this data is someone's real experience, right? There's a story. Data is boring unless it comes alive, and the only way it can come alive is connecting it to someone's experience.

If you're talking about domestic violence, for example, why is domestic violence going up? Is it because more people are aware that services exist to call? There's a story there. Why is domestic violence rising at the same rate as GDP right now? Does it mean there's a correlation? Not necessarily, but it's interesting - something people like asking, "so what's going on here?" So the conversation begins, right?

HM: Speaking of stories, I had a look at your "[Ontario Community Sustainability Report](#)" from last year. This was an attempt to look at a couple of dozen municipalities across the province in a multidimensional way.

So you have this report of 100-odd pages, and it covers the physical, social, and economic aspects of all these communities, and then tries to amalgamate these aspects to come up with some sort of score for each community as a whole. What do you see as being the main outcome of this - what do you hope for?

MA: It's interesting...that report, what you actually come down to is that trying to measure sustainability, or trying to point to a community which is genuinely sustainable, is very difficult. Each community will believe that its quality of life is as good as anybody else's; there's a really subjective part of this. In spite of our attempts to measure sustainability objectively, I think the truth is that each community has its own strengths, and opportunities to improve.

The report does perhaps tease out some of the new things communities have tried with transit, bike paths, or whatever, that other communities can learn from. That's the benefit of this kind of work - you create greater awareness across

communities, about what's working and what's not.

HM: I suppose ideally you'd want to have these done every 5 years like a census, so you could track over time changes that happen.

MA: Exactly. Some people say oh, all you've done is establish a baseline. But we take that baseline and track the trend over time, so one city says gee, we ranked lowest on this list on air quality, how can we move ourselves up the ranks? And more importantly, how can we become more closely clustered, so the gap isn't as big?

Then another city might say, you're in 25th, but statistically the gap between top and bottom isn't really that significant - which is good news in my mind, that everyone's doing a pretty good job overall. Though maybe someone in Sweden or Iceland is doing way better than all the Canadian cities...

HM: Another Canadian initiative is the [Canadian Index of Well-being](#), which I understand has been happening for a while now. Could you give us a sense of where you see that going, and its value?

MA: The Canadian Index of Well-being (CIW) started several years ago after we released our Alberta Genuine Progress Indicator in 2001. Charles Pascal of the Atkinson Foundation in Toronto, which is funding this initiative, saw that our work had hit a nerve - he said, my vision is to help change the conversations of the water coolers of the nation, and the coffee shops of the nation...

So what we're trying to do with the CIW is to provide Canadians with a way of measuring what matters, or what we think matters. That's not always easy, because as experts we have to pick what indicators we're going to report on. And how do you balance that with what Canadians might say about their values and quality of life?

This is an attempt to measure the quality of the natural environment, economic well-being, health, and community well-being and vitality. It's probably the most ambitious project we know on the planet right now to measure well-being at a broad societal level, and ultimately get Canadians to expand the conversation.

HM: And in terms of the sustainability of this effort, would it be something

which would be taken up by government, or funded by Atkinson, or...?

MA: Well, the initial investment is by Atkinson. Joseph Atkinson was the founder of the Toronto Star newspaper, which is the largest independent newspaper in Canada. But we're working closely with government - with Statistics Canada, with Environment Canada, with other government ministries, because we want them to support ongoing inventory, data collection, and analysis.

So the CIW is being developed by independent researchers, including myself on the ecosystem health report. The beauty of being independent is that we have the flexibility of saying things that wouldn't be as easy to say when you're sitting in government, accountable to a minister. Again, we're working closely with the government agencies - they're reviewing our reports and hopefully going to provide the data down the road. Ideally we'd like this to be a non-partisan kind of initiative.

HM: That's a very important point, which brings us to some ideas about the theory behind this. If I imagine the CIW as an index or set of indices, and then some other group were to come up with a set of indices, and you had multiple sets of these, then that might get a little confusing for people to look at.

MA: Absolutely. I think the challenge is that we've got many different measurements and issues going on. People get overwhelmed, and some people might say, let's just retreat back to GDP, it's way easier and we've been doing it for 50 years.

It also demonstrates that we've got an amazing capacity to measure things now, such as from satellites - but can we ever decide on the ideal accounting framework? I'm not sure we can. The beauty of this work, I think, is that it reflects individual community values, and it's OK to have diversity.

Can we agree on a common set of indicators? I don't know - maybe never. But what will drive us to common indicators now is a set of global indicators that are already being tracked, by the UN and World Bank and groups like that. The issue then becomes, what are the local indicators that are more meaningful at the local level, that need to be collected and tracked at the local level?

HM: Do you see in the longer term, then, a world where we converge on a small set of indicators which we all agree on - CO2 concentrations and so forth - but then have diverse indicators at the local level, which might reflect local values or cultures, or ecological conditions?

MA: Exactly. There will be some common indicators like how much arable land do you have, what's your ecological footprint, inequality measures. We can use science, we can use epidemiology, we have all kinds of ways of saying, what do we think are baseline common measures that everyone would agree are important to quality of life? You start with basic needs - food, shelter, clothing - and then you can create layers on that.

So yeah, I think there are some obvious common indicators, and then some unique ones that are going to be culturally sensitive.

HM: Speaking of multiple indicators, one key issue is how do you handle having 2, 5, 10, 30, 100 indicators? One interesting method you had was a "flower graph" with a sort of radial layout where each indicator's length from the centre reflected how high it was on the scale. That's a way of comparing a large number of indicators at once, and maybe understanding at a graphical level how they differ.

Do you have any ideas as to other kinds of methods that could be used, either to display a whole bunch of indicators, or to combine them in a nuanced kind of way?

MA: I found that with the "flower graphs", you can cluster related indicators into one petal, to show a theme. I've used these graphs with Santa Monica, here in Alberta, and in China, and found that it's the most effective way of showing a complex set of indicators that aren't necessarily comparable - you can't relate GDP and suicide rates in terms of the actual units of measure, but you can say that more GDP is better than less, and less suicide is better than more.

So you can create ways of translating the raw data - the suicide rate, say - into an index, out of 100 points let's say, and then create these radial graphs which show relative to historical rates how good a given community is at a given point in time. And politicians and decision-makers say oh, that petal there's pretty wilted, we've got to do something about it - it might be suicide, it might be teen

pregnancy - whatever it is.

So it becomes an easy way of saying, that's where we can focus our budgeting, our community efforts. It doesn't matter if you're city council or the United Way or another non-profit organization. As compared to aggregate measures that roll everything up into one number, I've argued that we need a way of being transparent in the accounting system, and I think this technique helps.

You can always drill down on that one data point, and learn way more about what's going on with car crashes, for example - there's a story behind that one data point, and you can show trends over time with car crashes. And trends are as important as that one snapshot: in what direction something is moving is just as important as its current condition.

One thing I've found very effective is comparing GDP rates of change with any other indicator of well-being. You get some really cool pictures, like I said earlier - in Edmonton, domestic violence and commuting times going up in lockstep with GDP.

So if the city says, we want to really reduce commuting times, well, how are you going to do that? You're presumably not going to do that by slowing the economy, but if you keep going down your current path, commuting times are going to go up every year. Suddenly you can use this data to do budgeting and forecasting, which we're doing with the city of Edmonton.

HM: Hmmm, "key anti-correlations" - interesting. Just one technical question around indicators. Understanding that you don't typically want to combine them, there may nevertheless be cases where you do want to have some kind of ordinal ranking of cities or regions, by how sustainable or innovative they are and so forth. In that case, you need some way of taking a weighted average or whatever to get a single number at the end.

Now when you do that, that process is probably inevitably going to involve some degree of subjectivity, in terms of what weights you assign. So the question is, if you think about asking three different experts to take a set of indicators, and come up with a weighting to combine them all, then you're probably going to wind up with three different ways of combining them. Wouldn't it then make sense to do some kind of sensitivity analysis, to

show that even though your three experts gave three different weightings and hence three different rankings, they weren't "that different"? That might give a little more robustness.

MA: Oh yeah. In fact, I did a bit of sensitivity analysis on the Alberta GPI work. And what I did is I said okay, we just finished this conversation with Canadians about what they value most. So we could reweight the indicators for Alberta by what Albertans say is most valuable to them. That takes it out of the political realm.

Currently we're saying we don't know what's most important. Experts can help us, saying we definitely need clean water, so that's number one. So we can create weights and play around with how those weights affect the composite index. But the flower diagram still avoids the problem of weighting - it just says everything is as important as everything else, and to me it says everything is interconnected. At the same time, for budgeting we say there are priorities - clean water is a priority. So yeah, we can play around with ordinal ranking as much as we want.

HM: Thank you so much, Mark. Just to ask you one last question: at a very personal level, can you tell us what you've learned from doing this as one of your life's main works?

MA: First of all, you've got to follow your dreams. Sometimes we're paralyzed by the fear of tomorrow and scarcity, but in fact it's quite the opposite - there's abundance when you let go of that anxiety. Getting your own life and household in order, getting your debt down to zero, changes the whole way you think about business.

For our family, we've actually set a revenue sufficiency goal - how much money do we need to have a good life without debt? You don't need that much money - we don't want more stuff, we don't need more stuff to fix and dust and clean. So what kind of quality of life do you want? And then you write your own business plan accordingly, and the business plan of the business is to generate enough revenue for the household. My wife and I, we have a family-owned corporation, so effectively we work for a corporation, but it's a family-owned corporation, and it makes just enough money for us (the shareholders or "care-holders") or enough

billable hours, to live a fairly good life.

It's been remarkable to me that I make less now than I made when I was working in government in 1997, but we have a better quality of life, because we don't pay any interest on debt any more. That's a huge difference. 50% of most expenditures in our economy are interest embedded in the cost of all goods and services. Strip that out of your own life's expenses, you're left with way more discretionary income, to spend on things that matter more.

HM: Have you found also at a personal level that the people involved in this kind of work are a rare breed, but also relatively driven and interesting to hang around with? Do you find there's some value in that too - just to be involved with those kinds of people?

MA: Oh, it's hard to sleep at night, because there are so many exciting things to be done!

It's like you're out in the Matrix - you're Neo, but you're looking at the Matrix now, you're looking at the world and asking, where are people going so fast, where's everyone driving to? And meanwhile you're focused on slow food, and where your food comes from, and renewing your relationship with your kids and neighbors, and staying put and not moving every five years. The whole life of slowing down and just being more conscious about where things come from, and your relationship with the land and each other - suddenly there's an explosion of entrepreneurship and opportunity that you didn't have time for before, because you were so busy just trying to make ends meet and pay for the mortgage.

It's hard to stand up and make a case that moderation's really good for you. Living simply is pretty darn good, I can tell you, and most of my friends are pretty darn happy. Even going on vacation - where are you retreating to? Are we spending enough time in our lives getting in touch with what we're really about?

Slow down enough to listen, and then all you see is opportunity to do something different. And life becomes more of a party, more of a celebration of abundance.

HM: Mark Anielski, thank you so much for taking the time to talk to us.

MA: Thank you - it was a pleasure!