

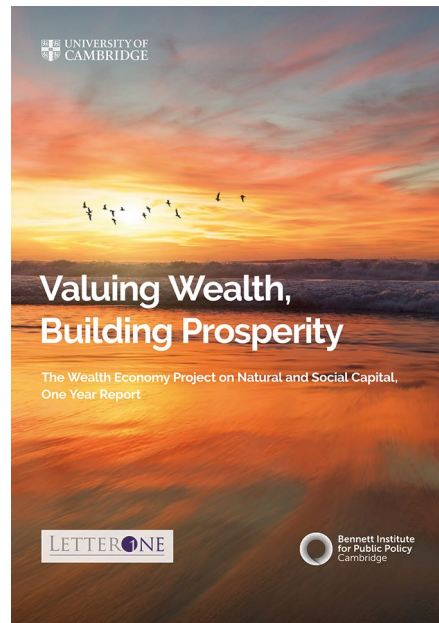
Comprehensive wealth

Measuring the full set of society's assets is critical to the design of policies for a sustainable future.

The ongoing coronavirus outbreak has reminded us of how vulnerable societies are to shocks. Early this month, the death toll exceeded 3,000 people globally with more than 88,000 people now affected across 60 countries since the virus emerged in China in December 2019. Countries are reviewing their plans to cope with the outbreak, while the risk of a pandemic is becoming increasingly real. Alongside growing public-health concerns, there are also worries of severe economic damages, particularly in the countries that have been hit the hardest.

China has seen the typical shut-down of activities for Chinese New Year prolonged as a result of the outbreak and some preliminary analyses suggest the associated costs are already visible, as most industrial activity indicators show signs of contraction. As the situation unfolds, and other countries are forced to lock down towns, close schools, cancel big events, limit travelling abroad and force employees to work from home, it is hard to believe that economies across the world will not suffer as a result of the epidemic.

History has taught us that sudden worsening of countries' economic performance can have significant impacts on the well-being of large parts of the population — for example, when jobs are lost due to reduced business activities, many affected households struggle to maintain decent living standards. History has also taught us that countries have been fairly successful at rebuilding their economies over time. But when societies are confronted with crises that have the potential to undermine the very foundations of human life for generations to come, rebuilding to restore business as usual can be dangerous. Climate change is one such crisis and the response of governments has been mostly business as usual for far too long now. The well-being of populations is at stake and will continue to be. Although much attention is understandably being paid to the coronavirus outbreak, we should not forget that economies, and therefore people, are increasingly at risk of severe disruptions and losses because of climate change. This past February has been rated the wettest month on record in the United Kingdom by the Met Office with three big storms battering the countries and causing severe flooding across many areas — at the time of writing a significant number of flood warnings remained in place across England, and the record high temperatures throughout



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2019 were responsible for the recent unprecedented bush-fire season in Australia, a country named by many as 'ground zero' for climate change.

Governments and citizens across the world are also confronted with other environmental crises. The overall state of the biosphere is worrying, and the rate at which economies have been extracting from it and returning waste and pollution to it has so far had devastating consequences for ecosystems globally. As natural ecosystems underpin human life, the deterioration of societal well-being that comes as a result of environmental damage, and will become increasingly severe over time, should become a top priority for decision makers. They should also come to grips with the fact that, despite successful economic performance, as currently measured, worldwide inequalities have risen dramatically. These trends cannot continue. The international community recognized the urgent need to respond — the United Nations launched the 2030 Sustainable Development Agenda in 2015 and all goals set then are due for revision this year, alongside other commitments.

Furthermore, this year the 196 countries that signed the Paris Agreement are expected to outline and communicate their post-2020 climate actions, known as their Nationally Determined Contributions. So, 2020 is set to be a pivotal year for countries' commitments to set economies on a sound and sustainable development trajectory.

Designing policies to move economies onto a sustainable path means rethinking goals and priorities and revisiting the whole idea of prosperity with respect to current practices. It ultimately means measuring success differently. Governments need new tools: the System of National Accounts (SNA), by which countries compile measures of economic activities, is clearly inadequate. Experts have already gathered together to respond to the challenge. International efforts include the current revision of the SNA and more transformative work to develop new systems such as the System of Environmental Economic Accounting – Experimental Ecosystem Accounting (SEEA-EEA) that has seen statisticians and researchers from different backgrounds experimenting and debating for some time now. Other related but more focused efforts have also emerged, such as, for example, the research programme that started a year ago at the Bennett Institute for Public Policy at the University of Cambridge, United Kingdom, on the 'Wealth Economy'. Their first report, 'Valuing wealth, building prosperity', emphasizes the importance of accounting for the whole set of society's assets to develop a comprehensive measure of wealth that goes well beyond the measure of economic activities through Gross Domestic Product (GDP). This new effort will hopefully resonate with many to ultimately revamp the beyond-GDP debate and offer a route to implement new indicators for policy making. Among other things, the report also highlights how little evidence exists about the empirical relationship between trust, social capital and the economy, and, drawing from methods established in the social sciences, shows that such evidence can be produced and is integral to building prosperity. The key take-home message is crystal clear: comprehensive wealth is much more than GDP and it is measurable; therefore, it can be the basis of decision making. Let us hope that governments will engage and commit. □

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