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Mark Anielski on the Genuine Wealth Assessment and the Nature of Money

Mark Anielski, the author of *The Economics of Happiness*, is President and CEO of Anielski Management Inc (AMI) located in Edmonton, Alberta. As an economist he works with communities, businesses and governments to help them assess, measure and manage their genuine wealth -- the things that matter most to their well-being, quality of life and sustainability. He believes that what we measure reveals our true values. He is schooled in economics, accounting and forestry and holds a M.Sc. in forest economics, a B.A. in economics and B.Sc.F in forest science, all from the University of Alberta. In addition to his consulting practice, he teaches Sustainable Economics at the new Bainbridge Graduate Institute (Washington) -- the first sustainability MBA program in US in sustainable business enterprise whose goal is to 'integrate the wisdom of sustainability, ethics, and social responsibility into business practice via management education and research, business sustainability, ethics and corporate social responsibility.'



By Darcy Hitchcock

Darcy: *You're a rare bird, an economist who understands that the economy isn't a closed system and that GDP is not a good overall indicator of our well-being. When did you stray from traditional economics and what was the catalyst?*

Mark: A number of things happened. In the 1990s, I was an economist for the Alberta Provincial Government, examining indicators of economic performance. I came across the Genuine Progress Indicator (GPI) that was first conceived by John Cobb Jr. (a theologian) and Herman Daly (an economist), and then developed by John's son Cliff Cobb in 1995 at the economic think-tank, Redefining Progress, in San Francisco. I was pretty excited that economists and non-economists were addressing the shortcomings of the existing ways of measuring economic progress like the Gross Domestic Product. It, and other measures like it, left

out things like unpaid work (e.g., raising kids, volunteering) and treated regrettable expenses like car crashes and cleaning up oil spills the same way they did positive additions to the GDP. I was working at the time on natural capital accounting, accounting for the sustainability of Alberta's forests, oil and gas, and carbon. We recognized that we needed a more accurate accounting of the nation's natural wealth and that in fact Nature did not count in the nation's balance sheet.

In a sense, I feel like this new way of measuring economic progress is less a straying from traditional economics as it is returning back to what economics was about: management and stewardship. If revolution means to revolve back, then I think that is what is happening, going back to the origins of words like "economics" which Aristotle helped define in the Greek meaning oikosnomia (household stewardship or management).

Darcy: *Hopefully our members are aware of the problems with the GDP and externalities. The Genuine Progress Indicator has been around since 1995. In your book, The Economics of Happiness, you have a quote from Robert Kennedy from the 1960's that highlighted the problems associated with it. It seems in the US anyway, we haven't made a lot of progress since then. Tell us what are some of the most exciting developments you've seen around the world for changing what we measure and report as societies.*

Mark: A lot of communities are delving into sustainability and trying to measure community well-being and their quality of life. The City of Santa Monica in California is a model in the US where they have developed a series of sustainability indicators and set targets to chart their progress on their journey. The Chinese, who I have been advising for the past three years, have adopted a national policy called *xiaokang* which Confucius coined as a society of moderation or moderately well-off citizens. As a senior foreign economic advisor to the Chinese people, I have been helping them develop new *xiaokang* indicators of progress that includes "green" GDP estimates that takes nature into account in the economic accounts.

In Canada, I worked with the city of Leduc, Alberta, a city with about 60,000 people. They did a Genuine Wealth assessment, which tries to measure the conditions of well-being (which is what the word "wealth" means in Old English) of their five capital assets: human, social, natural, financial, and the built environment. I have also helped the Inuit of Nunavut in Canada's northern Arctic develop a well-being indicator and measurement system that aligns with the virtues and values of the Inuit people.

Innsbruck, Austria where the 1976 winter Olympics was held, and the province of Tirol is currently experimenting with my Genuine Wealth model, trying to measure what makes life worthwhile and overall happiness with a broader suite of well-being indicators. They're celebrating local assets like clean drinking water which they still drink untreated from the surrounding mountains and pristine watersheds, locally grown food, and cultural traditions that have allowed their society to flourish for many generations. They are focusing a lot on local

sustainable business as a special quality, not just the flow of imports and exports.

Then there is the Kingdom of Bhutan, a Buddhist kingdom in South Asia, which has adopted the Gross National Happiness as its economic cornerstone that is balanced with the GDP. Bhutan is leading the world in re-grounding its society in virtues of Buddhism which includes the wisdom of moderation and right-livelihood. The Dalai Lama has noted that the ultimate purpose of economic development must be enduring happiness.

All around the world, it seems we're trying to return to our original values. This past week I was invited by the president of Tahiti to advise the Tahitian government on a new approach to measuring happiness and charting a course for their people's enduring happiness. Like so many communities and nations, the Tahitians seem to have lost their way, forgetting the wisdom of their foremothers and forefathers with respect to what contributes to a flourishing society.

Darcy: *So if we've all lost our way, how do we help a community reconnect with those values?*

Mark: The Genuine Wealth process starts with an inventory of values. We ask, 'What makes life worthwhile for you?' We ask this both for you and your family but also as a citizen. The answers are often different. For example, as a citizen you might be concerned about taxes and governance; as a member of a household you might be concerned about quality of time with your partner or children or financial debts. I also like to ask, 'What makes you sad?' or 'What's not going well?' This helps us identify weaknesses.

The research on happiness is really interesting. We've discovered that only 10 percent of well-being is related to income and education. About 50 percent is affected by your genes and childhood experiences. That leaves 40 percent of well-being related to relationships, including family, friends and work relationships. The good news is that we can actually help create conditions in society that create opportunities for meaningful relationships between friends and neighbors. We can also survey

individuals about their experiences of their childhoods, their upbringing and their social relationships as a means of inventorying happiness and barriers to enduring happiness. Medical evidence suggests that that people with strong social relationships tend to live seven years longer. This also means that we can start using science and community planning to help us understand how to improve social relationships in our community. The heart of happiness is a strong sense of belonging to community. To measure this sense of belonging we can ask questions like: Do you trust your neighbors? How many of your neighbors do you know by first name? How safe do you feel walking in your community at night? You can ask people of any age group.

So we can inventory the quality of our lives. If the inventory uncovers that we value time and we don't have time for ourselves much less our children, and the children say they wish their parents played with them more, then we have found an opportunity to improve well-being. I often hear people say "Sure Mark, leading a life of happiness you suggest would be nice, BUT, the reality is....I have to pay the mortgage, I have make a living..." We need to explore these "buts" or barriers to our individual and collective happiness and well-being. Are there opportunities that would transcend these limits to enduring happiness?

For example, we all have mortgages, student loans, car loans or other debts to pay as investments in our well-being. However, perhaps there are alternative ways of creating money (for example, creating local currencies) and banking without charging interests, like the JAK cooperative members in Sweden. Can we do banking in a different way? Can we become each others' bankers instead of giving this power over to a few financial corporations? Here in my own community of Edmonton (a city of 1 million) we are exploring these new financial options. This gives us a direction, something to work on, something we have control over.

Darcy: *I can imagine this process results in significant insights for those who participate. But what about those who don't participate in the process? It seems so many people are whizzing around on the hamster wheel but few take the time to reflect on why the hamster wheel is in their cage. Do you find this process helps others in the community change as well?*

Mark: Yes. In the case of Leduc, Alberta, which was the location of the first oil well in Alberta in 1947, it was like putting up a well-being mirror. Here's who we are with our respective strengths (assets) and weaknesses (liabilities). It helped them develop a suite of indicators and priorities to measure and improve well-being. It's like a health check up; a good doctor will start with a question "how's life?" and then proceed to use various diagnostic protocols like taking your blood pressure to assess your overall health. This process increases consciousness or awareness of all citizens about what makes life worthwhile. And this process inspires everyone, not just the people who participate—from the local food bank, the United Way office and the local bank president—to examine how their enterprise can contribute to improving the well-being of their community.

Darcy: *So how do you decide how many people you need to involve to get the best results?*

Mark: Statistically, you can determine the sample size you need to be valid. I was quite conscious of that in Leduc. I wanted a good cross section of the demographic profile. I started with the 2006 census data from Statistics Canada that gave me some idea of the diversity of ethnic groups in this community. My sample size would have to ensure I didn't miss any particular group in the community, including a sampling of lower income households. It's not enough to involve only the middle class households or those economically more advantaged. You need to also include aboriginal peoples, people living in impoverished (usually low income) conditions, people of different religions and ethnicity and people of color. We contacted as many as 90 community groups and attended their meetings inviting their members and their extended family to participate in the Leduc well-being surveys. I met with grade 6 students and students of both junior and senior high schools; they shared with me their dreams and visions for their future. The teenagers were amazed that an adult would sit and listen to their ideas for improving well-being conditions. I realized that too often we don't spend the time

listening to our children and their ideas for a better tomorrow.

At a minimum they participated in an informal dialog. Better yet, many filled out our survey; many shared a personal story about their own happiness and what they love about their community of Leduc. Most people love to talk. The challenge is to allow enough space for dialog to emerge and create conditions where everyone feels they have a voice.

Darcy: *So what are the steps in administering the Genuine Wealth Assessment?*

Mark: First there's the values audit. We've already talked about that quite a bit. You answer the question, how's life? You gather that information through discussions, questionnaires and focus groups.

Then I analyze the results and like a doctor, do a diagnosis of the community. I create a profile of the community and provide comparisons to other cities, provinces or national statistics. Where is this community similar to other provincial averages? I look for indicators that align with their values and what they told me in surveys and dialogue sessions makes life worthwhile. We could then celebrate our strengths and identify weak performance in certain areas like smoking, obesity, youth drug crimes or suicides which become flags for action.

I create what I call well-being flower diagrams. Using the Microsoft Excel function for radial diagrams, I convert the raw statistical data for each well-being indicator (these represent the well-being conditions of the five capitals of a community) into a numeric index from 0 to 100 points (where 100 points represents the optimum well-being condition for that indicator over a given time period). I then take numeric index score and represent it as a flower petal in my radial diagram. Each petal represents an indicator of well-being. If that indicator is robust and flourishing then the flower petal is also robust; when the petal is wilted (a lower index score) then the well-being condition is diminished. Like a perfect flower, a perfect well-being profile of a community would be one in which all well-being indicators are flourishing. Where I see a wilted petal, I know, as a decision maker, this is a well-being

condition that needs improvement. Of course, like a real flower, not all the petals are perfect.

Then we take this well-being profile and assessment back to decision makers and organizations interested in working in specific areas. We show them their strengths and the areas for improvement. They then build this information into their strategic plans and programs.

This process of value audit and well-being assessment can be repeated in a life-cycle either every year or when a community feels it needs another well-being checkup. How often you need to come back to reassessing the indicators and how often you measure them depends on how important the indicators are to measuring and governing progress? The key objective is to assess how good we are doing at maintaining or improving our assets that contribute to the well-being of current and future generations.

Darcy: *You talk about your roles as the doctor, the diagnostician. Can anyone do this process or do they really need to come to you?*

Mark: I wrote my book as a how-to manual with examples for businesses, non-profit organizations, cooperatives, communities and national governments, so anyone can conduct a genuine wealth assessment. I didn't copyright it because I believe that like planting seeds we need to let nature take its course, which is to multiply and flourish. I put it out there as one of many processes. I encourage people to experiment with it and improve the model through practice. Sometimes clients want me to help with a specific piece of the model. For example, Santa Monica wanted me to create a flower diagram with their 60 plus sustainability indicators. The Inuit wanted me to create a well-being indicator and reporting system as part of their state of Inuit culture report. Others wanted only the values audit. And some I just point them in the right direction by encouraging them that they are the right track to genuine wealth. A full genuine wealth assessment, as I conducted for Leduc, can take a year to complete. With increasing demand for the genuine wealth model and my own limits of time (I don't have employees rather associates who help me) I would

rather be hired for a few hours of wisdom and intuition than to try to control the model.

Darcy: *So with this flower diagram, how do you determine what 100 percent should be? What's an acceptable or optimal level of teen pregnancy or suicide? Do you set that or is the community involved in determining that?*

Mark: With the flower diagram, I wanted to avoid the problem of aggregating things into one indicator because the details get lost. But to make the indicators easily comparable, you have to index everything from zero to 100 percent. But as you point out through your question, this can be tricky. Take suicide. Even one suicide, in my mind, is too many but should we set 100 percent to be zero suicides? Is this realistic or is it the case that there will always be suicides in our communities so the goal is to try to ensure conditions in our community that minimize the choice of suicide? The Alberta GPI project completed in 2001, benchmarked Alberta's suicide rates from 1961-2001 relative to the lowest suicide rate in Canada, which was in Prince Edward Island (PEI). We can then ask: why are there fewer suicides in PEI? What are the social conditions in PEI that affect this indicator? This requires more forensic analysis. Some communities set certain targets as part of their municipal plan; we can then index our data against these targets to track progress. Some don't have goals. Some only benchmark against the starting year and show trends. In Edmonton, I'm proposing we set the best performance for things like water quality, air emissions, and ecological footprint as the 100 percent level.

But it's complicated. Are taxes going up good or bad? Some think all taxes are bad and others think it's an investment in the common good. So we move to measuring the return on investment in our genuine wealth of each tax dollar. I think citizens would honor such an accounting of well-being returns.

There was an interesting issue with the original US Genuine Progress Indicator. Redefining Progress chose to identify the cost of divorce (the costs of lawyers and setting up two separate households) as a social cost or a regrettable societal expenditure that should be netted out of GDP. But many people

complained since from their experience they felt divorce was a good thing for their well-being. How can you say that divorce is a bad thing when for some people, it's the best thing that happened to them? There are many similar well-being indicators where strong moral, ethical or value judgments are required making it difficult to determine how these expenditures should be treated in our new sustainable income statement or GPI. It's important to be sensitive to the diversity of values in the community thus the importance of having any GPI or genuine wealth assessment begin with a values audit of the community.

Darcy: *One of the hardest things about community indicators is there tends to be so many of them and it's hard to tease out how they interact. It's hard to tease out cause and effect and leverage points. I know in Oregon, we have the Oregon Benchmarks but there are over 100 and they're broken out into social, economic, environmental, but these things interact. How do you deal with this or how do you see our systems of indicators becoming more decision tools instead of just reporting mechanisms?*

Mark: That's a good question. When I worked for the Province of Alberta, we looked at what Oregon was doing and others like the Minnesota Milestones. We watched you guys in Oregon struggle with lots of indicators as part of Oregon Benchmarks, then cutting back when budgets became tight. We were encouraged by that process because for us it affirmed that sometimes fewer indicators are better than too many; yet we needed a comprehensive picture of well-being. There is really no easy answer to these conundrums. We need to think of communities and societies as complex as a watershed or any ecosystem; they are complex in terms of interrelationships of all members. I always like to think about mapping out these relationships to appreciate the interconnectivity and interdependence of all members.

We need to study human society the same way we would an ecosystem. I like to start with the watershed. How do you know if it's sustainable? Have the integrity and productivity of it been affected in any way by human incursion? Then we look at the land-base for food. How much arable land do we need to feed the millions of Oregonians

or a million Edmontonians? Water and energy also have to be accounted for. Then, once you've got the natural capital in place, then analyze the social structures, governance, and other institutions.

It's relational mapping showing how everything is connected. Yes, there is directionality—cause and effect, drivers. But to me, it starts with a balance sheet showing assets and liabilities. Take equity, for example. What is the distribution of wealth in your society (all forms of genuine wealth, not only monetary or material)? When there is inequity, we tend to have social unease that undermines that society. Statistics show that the less income inequality in a society the more robust the health indicators of that society; the US for example has fallen from first place in the OECD list of health indicators after World War II to 25th overall which can be almost directly related to the rising gap between rich and poor. All these things need to be taken into account. But the failure of all our benchmarks is to consult with indigenous peoples and other citizens about their values.

I actually prefer the word flourishing than sustainability. I have an image of what that looks like, certainly if I'm thinking of my garden or my grandchildren. We've come a long way. Oregon led in the US and Alberta led in Canada, holding governments accountable for the outcomes of their policies and programs. But is government accountable for each suicide? No, we're collectively responsible, all stewards of the balance sheet.

Darcy: *So other than these methods for identifying and tracking these performance metrics, are there other systems we need to support community well-being?*

Mark: The big one I propose is to restructure the entire monetary system. It's a system built on debt (loans and credit) that is not tied in any way to real wealth. Today's money is created in the form of loans which have interest attached to them. Paradoxically to pay the interest on the loans requires more loans. So with the power of compounding interest the total debt mountain grows and is un-repayable out of current economic growth; the US total outstanding debt mountain is now in excess of \$45 trillion and growing exponential. It can never be repaid. It's like a cancer,

whose appetite can never be satiated even if it literally consumes the very living capital that makes a community flourish. It's based on debt, which demands interest. And you can only pay that by increasing production. And this forces growth. But there is only so much land and human capital. We have to change the nature of money: who creates it, how it is created. Most people in sustainability don't understand it. We can't ever resolve our issues without addressing this.

Darcy: *I got my first sense of this when I read Ancient Futures. It's about the Ladakhi people who had a high quality of life until, impacted by eco-tourism, they monetized their culture. It was amazing how this undermined their society, their well-being.*

Mark: Money isn't bad but it's an artificial construct that we humans have created. In fact the way we create money through loans means we can either create artificial abundance (enough money to invent the newest and best renewable energy technologies) or artificial scarcity. There is an 'energy' breakdown when we introduce money; I see money as breaking our natural relationship of love with each other and with the Divine (with our Creator or God). We were challenged once by Jesus who said you cannot serve two masters; you must choose between serving mammon (money) or God. That is the choice we face daily. Money changes how we feel about the transaction. It interferes with our natural tendency to exchange help with one another; we are by nature giving creatures. We feel good when we share; our hearts grow heavy when we hoard. Paradoxically money needs to flow like water, not be hoarded. This is how nature works, the sun shines without expectation of payment; nature gives of its many ecological services without expecting a pay check. I believe we can return to a time of genuine collaboration and renew the wisdom of the word "competition" which in the Latin means "to strive together." Imagine what happens when we share things and work together without expectation of money changing hands? I imagine a day not far off where we won't be charging interest on our loans; did you know that currently about 50% of the cost of goods and services is interest costs of the total amount of outstanding debts in society? Imagine then a work day without interest costs; that would

suggest at least a 4 hour work day if not less! It's fascinating to consider such a future where we will have more discretionary time to play with our children, in meaningful conversations and then perhaps we can achieve that goal of enduring happiness and a ultimately build a civilization of love. That is the future I am committed to help co-create. I know many who are on the same journey.

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