Measuring the Changing Wealth of Nations in the Context of the Revised SNA

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The world is clearly moving “beyond GDP”

- **UN Secretary-General** calls GDP “a glaring blind spot in how we measure economic prosperity and progress”
- **G7 heads** recognize that GDP is “insufficient for measuring success”
- The question is, where will we go?
Not all paths “beyond GDP” are equally attractive

• Possible paths include:
  • Large indicator dashboards
  • Quality of Life frameworks
  • Multi-dimensional indexes
  • Comprehensive wealth measurement

• Not all paths are equally attractive

• To be useful in decision-making, measures must be:
  • Relevant
  • Concise
  • Actionable
  • Theoretically and empirically robust
Comprehensive wealth as a path “beyond GDP”

- Comprehensive wealth measures the value of all types of productive capital:
  - Fixed capital, human capital, natural capital, and net foreign assets
  - All are fully consistent with SNA principles and methodologies deriving values from market prices
- Theory tells us that GDP is *sustainable* only if comprehensive wealth is not shrinking
- Changes in real comprehensive wealth per capita is therefore a powerful and concise measure of (at least weak) sustainability
- Comprehensive wealth is:
  - Relevant to all dimensions of well-being
  - Concise, requiring just a single aggregate index plus a handful of sub-indexes
  - Actionable through strategic investment policies
  - Theoretically and empirically robust, based in long-standing capital theory and many years of testing with real-world data
Measuring comprehensive wealth at the World Bank

• The World Bank has been measuring comprehensive wealth for all countries since the 1990s

• *The Changing Wealth of Nations 2021* is the fourth report in the series
  • Theme: “Managing Assets for the Future”

• CWON 2021 is the first report to focus on:
  • The future wealth of nations
  • Climate risks and global decarbonization
  • How policy choices shape wealth

• Consistent global database of asset value for 146 countries, 1995-2018 time series

• Similar to UNEP’s work on inclusive wealth, with some conceptual and methodological differences
CWON 2021 covers a wide range of asset types

Sustainable prosperity and material well-being

National income/GDP

Comprehensive wealth

Produced capital

Non-renewable natural capital

Renewable natural capital

Human capital

Net foreign assets

Machinery, structures, urban land

Fossil fuels, minerals

Cropland and pastureland

Forest timber and eco services

Protected areas

Fisheries, mangroves

Male/female, employed/self-employed

Assets-liabilities
Downward trends in per capita wealth put sustainable prosperity at risk for some

**Percent Change in Wealth Per Capita 1995 -2018**

CHANGE IN WEALTH PER CAPITA 1995–2018

- > 100%
- 51–100%
- 1–50%
- -5–0%
- <-5%
- MISSING DATA

Source: authors' calculations
Proposed extensions to comprehensive wealth

Comprehensive wealth
Decomposition in physical and monetary (MER- and PPP-based) terms

Produced capital
- Machinery, structures, urban land

Non-renewable natural capital
- Fossil fuels, minerals
- Crop land, pastureland
- Forest timber and ecosystem services
- Protected areas
  - add Lithium and Cobalt
  - add land degradation
  - add carbon
  - align with methodology for forest ES

Renewable natural capital
- Add renewable energy
- Fisheries, mangroves
- Add carbon, aquaculture

Human Capital
- Male/female, employed/self-employed

Net foreign assets
- Assets-liabilities
- Add water pilot
Comprehensive wealth and the SNA revision

• Some assets within the comprehensive wealth portfolio are already within the SNA asset boundary:
  • Produced capital, net foreign assets, and most natural capital

• Proposal has been made to add renewable energy assets to the 2025 SNA, filling the major gap in natural capital

• Human capital, the largest component of the portfolio, is theoretically and methodologically ready for inclusion in the 2025 SNA

• Social capital remains outside of CWON and the SNA boundaries

• Ensuring that the 2025 SNA is broadened to include as many of the elements of comprehensive wealth as possible—human capital and renewable natural assets—will ensure that moving “beyond GDP” does not mean moving “beyond the SNA” as well