

## **Sustaining Prosperity, Nature and Wellbeing: “What Do the Indicators Tell Us?” (review)**

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Peter Bartelmus is an honorary professor at the Bergische Universität Wuppertal in Germany, and one of the founders of the “Green Accounting” framework for the UN Statistical Office. In his recent book “Sustaining Prosperity, Nature and Wellbeing”, he elaborates on the economic, social and environmental dimensions of sustainable development while analyzing a broad range of indicators. Overall, Bartelmus calls for integrated accounting and complex analysis to review the priorities of policymakers in the contemporary era. Are we better off today than we used to be? Will we be better off in the future? These are the ultimate questions of concern in his book.

The book is structured according to the three aspects of sustainability: prosperity, nature and well-being. The author provides a comprehensive review of existing literature and indicators. He points out that economic wealth per person might increase globally in the short-term. However, environmental concerns represent a key challenge in the long run. Bartelmus paints a gloomy picture of the growing divide between the increasing Gross Domestic Product (GDP) and the deteriorating human welfare. The latter is notably affected by environmental decline, as measured by the Ecological Footprint.

### **Prosperity: Are we getting richer?**

Economic sustainability refers to the maintenance of economic wealth, income and well-being. In this respect, overall progress is generated by the production and consumption of goods and services. According to classical economics with its spiritual roots in the theories of Adam Smith, the objective is to maximize utility, profit and economic growth. The most common indicators of economic sustainability are personal wealth and income. Globally, wealth per person has doubled since 2000, but now there is a decelerating tendency. Most of the wealth is concentrated in North America and Europe, however, the most rapid increase in wealth was observed in China. When discussing prosperity, the key question is how wealth and income is distributed. According to Simon Kuznets (1955), inequality will first rise at the initial stage of development and then decrease when a country reaches a certain economic level, according to a so-called reversed “U curve”.

Thomas Piketty (2014) rejects this hypothesis and refers to the widening global gap between the return to capital and economic growth and the corresponding increase in the concentration of wealth owned by the rich. Piketty finds high income inequality, especially in the USA, where 60 % of total income is owned by 10 % of the population. He concludes that when inequality reaches 50 % of income absorption by the top decile a revolution is likely to occur. Joseph Stiglitz (2013) also elaborates on the issue of inequality in the USA, while blaming government policies for the mismanaged tax system

and deregulated financial markets. The rising inequality can also be observed in Europe and selected developing countries, notably China, which, despite being a communist country, has one of the highest levels of income inequality in the world.

### **Nature: What is the impact on the environment?**

Ecological sustainability focuses on environmental preservation and rejects the narrow economic view of sustainability based on maintaining economic growth. Most indicators show substantial environmental decline: increasing land use, a growing global ecological footprint, escalating material flows, the continuing rise of global CO<sub>2</sub> emissions etc. In 1798 the English scholar and cleric Thomas Malthus warned of population pressure on limited agricultural land. Much later, in 1972, the computer simulation “Limits to growth” commissioned by the Club of Rome predicted that our civilization will collapse this century due to exponential population growth and the limited supply of natural resources.

Bartelmus shows that economic growth in the past has not been sustainable. Between 1990 and 2006 the cost of the global degradation of the environment quadrupled from USD 661 billion to almost USD 3 trillion. However, there are significant regional differences. While the EU and the USA showed relatively good environmental performances, the major increase in environmental impact took place in China, whose environmental costs grew from 6 % of GDP in 1990 to 12.5 % of GDP in 2006. Nevertheless, the author states that the rather positive picture of rich nations in terms of sustainability performance can actually be misleading. The usual indicators do not reflect any dependence on the import of natural resources or on the outsourcing of polluting production to foreign countries.

### **Wellbeing: Are we better off?**

The third aspect of sustainability is social development. The Stiglitz Commission in 2010 showed that the growth of GDP is not a sufficient indicator for measuring people's broader social progress and wellbeing. The Easterlin paradox (1974) states that in the long-term rich countries experience stagnant life satisfaction, despite growth in income and wealth. However, happiness and wellbeing are vague concepts based on subjective and emotional evaluations by people. In fact Thaler, the recent Nobel Prize laureate, argues that human behaviour is often driven by irrational decisions. Bartelmus therefore questions whether the concept of wellbeing and welfare can serve as an accurate measure of social progress.

The author compares various indicators of happiness, such as the World Happiness Index, the Happy Planet Index and Gallup polls. The World Happiness Index calculates average life evaluation and it strongly correlates with national income. In this respect, the happiest countries are notably in Scandinavia, whilst the least happy are sub-Saharan and war-torn countries. The Happy Planet Index measures sustainable wellbeing and also includes an environmental dimension. Happy nations can be found notably in Latin America. In-

terestingly, high-income countries such as Luxembourg are shown as rather unhappy because of their large ecological footprint. Gallup polls (incl. the Global Wellbeing Index) are based on people's experiences of positive emotions, and the highest rankings are also among the Latin American countries. Overall, all surveys of happiness and wellbeing show wide variations among large countries, including the USA, Australia, China, Russia and Brazil.

### **Sustainable development in a globalized world**

The phenomenon of globalization raises a number of questions, and one of the most pertinent concerns sustainability. Trade liberalization, new information technologies, economic migration and capital movement have spurred the integration of lifestyles, production and markets across borders. According to Bartelmus, globalization may now have reached a peak, with protectionist tendencies (can we add "increasing" here?) in the USA and Europe. Comparing the pros and cons, Bartelmus concludes that there is no clear answer as to whether globalization is positive or not.

As far as the benefits of globalization are concerned, economic growth facilitates environmental protection, poverty mitigation and innovation. Trade liberalization leads to greater efficiency in the use of natural resources and it makes green goods and ecological technologies more available. Furthermore, Free Trade Agreements, considered as a principal tool for accelerating globalization, can set the bar high in the protection of environmental and social standards. On the other hand, the critics of globalization point to job losses from outsourcing, the environmental burden of shifting polluting industries, environmental and social dumping, market dominance by transnational corporations, volatile international capital flows and wasteful consumption in Western countries.

Bearing in mind the contradictory evidence, it is not possible to make a comprehensive assessment of the sustainability effects of globalization. Some researchers have attempted to find a connection between a globalization index and different sustainability indices (incl. the Human Development Index, the Environmental Performance Index etc.), but they have stressed the methodological constraints. However, the results did not produce any surprises, and show the integrated economies of the EU at the top, while the poor and isolated countries are at the other end of the scale.

### **Global policy goals**

The debate in the United Nations on sustainable development resulted in the international community taking action. The Millennium Development Goals (MDGs) in force between 2000 and 2015 galvanized unprecedented efforts to meet the needs of the world's poorest. The MDGs have focused on poverty eradication, health, gender, education and environmental sustainability. Bartelmus points out that only three targets of the MDGs were met, more specifically; extreme poverty reduction and decreases in HIV/AIDS and malaria. The author adds that poverty reduction was not accompanied by distributional equity,

and global development during the MDGs period actually remained unsustainable.

In 2015 MDGs were replaced by the 17 Sustainable Development Goals (SDGs) that currently represent a universal global policy for sustainable development. The main conceptual difference between the MDGs and SDGs is the extension of sustainability in the latter. The SDGs are relevant for all nations, which represents a major distinction from the MDGs, which only targeted poor countries. Nevertheless, the author concludes that like their predecessors, the SDGs remain a non-binding political declaration, and he calls into question the credibility and actual implementation of these goals.

### **What do the indicators tell us?**

As there is a broad range of different indicators available, it is almost impossible to aggregate them all into one overall index of sustainable development. According to this book we know quite a lot about economic prosperity. However, the economic indicators should also reflect environmental damage and they should provide an outlook on “green” economic performance. On the other hand, there is currently no systematic framework for the measurement of wellbeing and happiness and the indicators available cannot give a valid measure of social progress.

Overall, the indicators show a divide between rich and poor countries. It is uncertain whether the poor countries can catch up to the rich countries in their economic development. The global picture of sustainable development is not very optimistic. Apart from Latin America and Europe, other regions have experienced deteriorating conditions in terms of sustainability. The most severe situations are in the USA and sub-Saharan Africa. Bartelmus shows a decoupling trend between rising GDP and declining human welfare over a long period. He adds that our Ecological Footprint is going to increase at a similar speed to GDP growth over the coming decades.

This book provides a comprehensive analysis of economic, environmental and wellbeing indicators. The author rightly claims that the “paradigm of sustainable development advanced to its end”. Currently, opinion is largely polarized between economists and environmentalists. Policy makers should concentrate on “greened” national accounts which contain integrated environmental and economic data. This can help us to find pathways towards an inclusive and sustainable future.

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