



Comprehensive wealth in Canada

Measuring what matters in the long run

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What is wealth?

(And how is it different from income?)

- Think of ***wealth*** as what you ***own***...
 - A car
 - A house
 - Savings in the bank
- Think of ***income*** as what you ***earn***...
 - A salary
 - Interest from your savings
 - Profits when you sell a house

Wealth is the ***basis*** of income



Why does wealth matter?

Because it is the basis of income...





...*wealth* is what matters in the *long run*

- In contrast, *income* is what matters *today*
- Both are important

But only wealth helps us
understand and plan for the future

What is comprehensive wealth?



- Wealth comes in many forms...
 - Buildings, roads and factories  *Produced* capital
 - Healthy ecosystems and abundant resources  *Natural* capital
 - Productive, well-educated citizens  *Human* capital
 - Co-operative relationships built on trust  *Social* capital

Together, these make up
comprehensive wealth

Why measure comprehensive wealth for Canada?

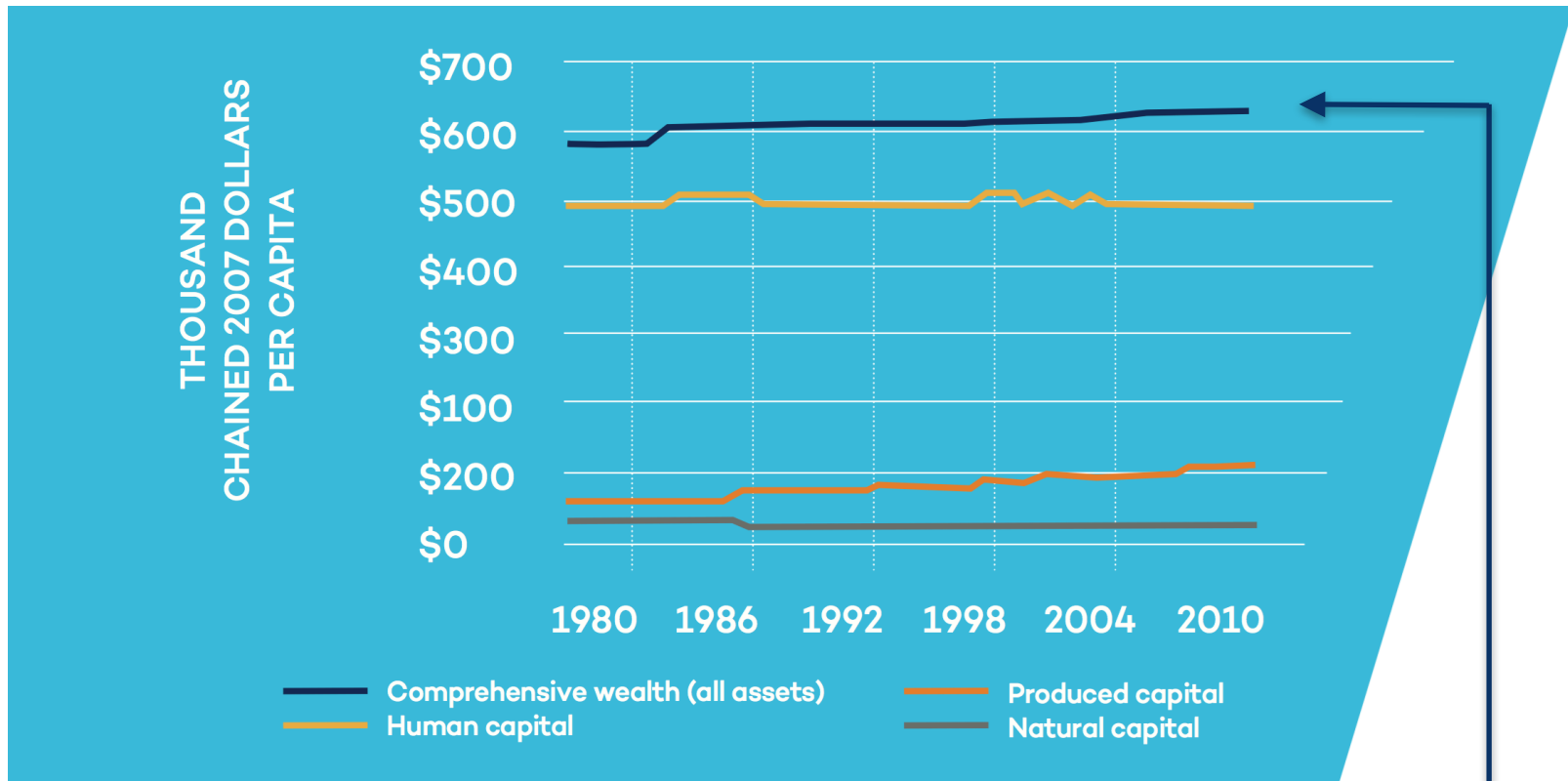


- Because governments (anywhere) don't pay much attention to wealth
 - Their focus is mainly GDP (income)
- But comprehensive wealth is what matters in the long run!

Measuring comprehensive wealth
reveals whether *development is sustainable*

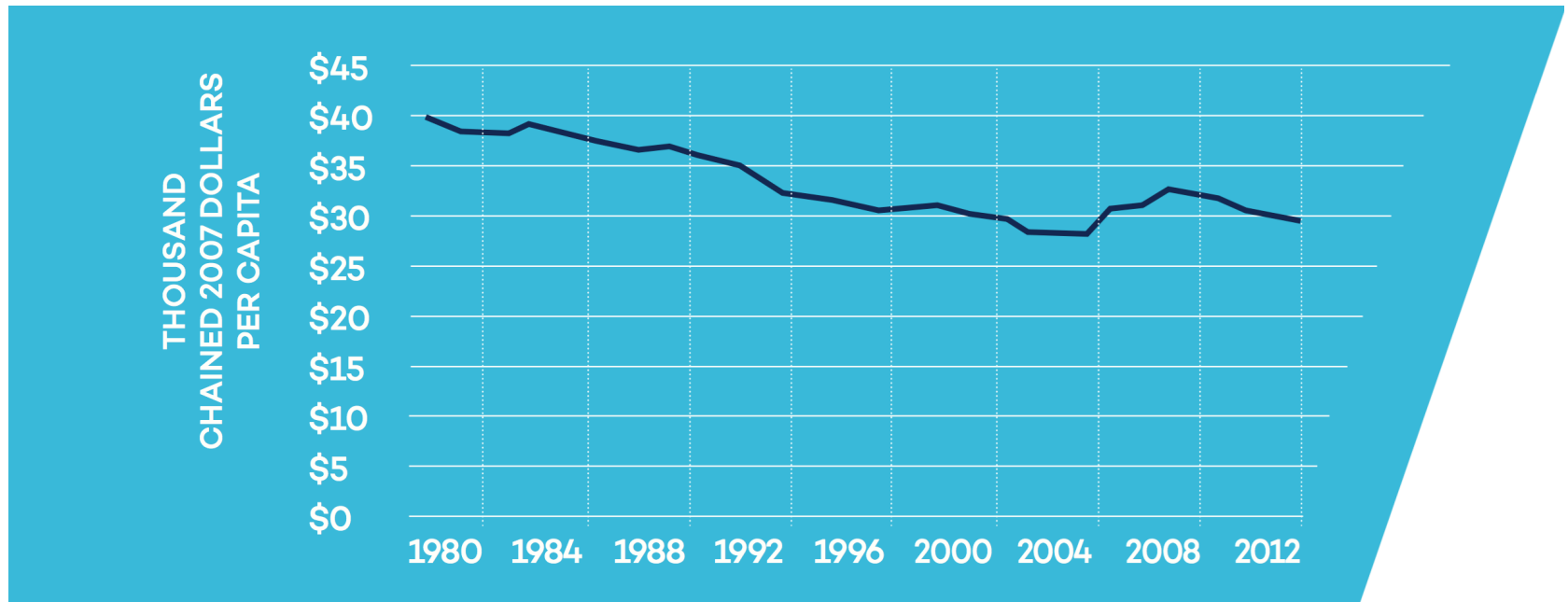


What did our study find?



Comprehensive wealth *hardly grew*
between 1980 and 2013

Natural capital declined by about 25 per cent

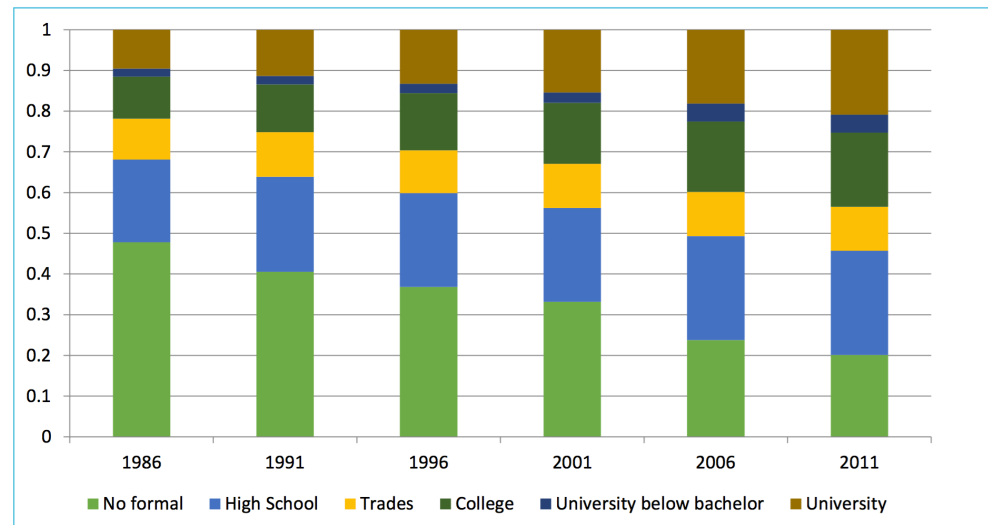


Declining reserves and falling prices
(especially for oil) drove natural capital down

Human capital was stagnant



- In spite of increased ***educational attainment***, the average Canadian's lifetime earnings prospects in 2013 were identical to 1980 after accounting for inflation



Wealth has stalled – But not consumption!



Indicator	Per capita level (chained 2007 dollars)		Growth (1980–2013)	
	1980	2013	Total	Annualized rate
Comprehensive Wealth Index	\$592,000	\$631,000	7%	0.19%
Produced Capital Index	\$58,100	\$100,700	73%	1.68%
Market Natural Capital Index	\$39,800	\$29,200	-25%	-0.93%
Non-Market Natural Capital Index			Unknown, but available non-monetary indicators suggest a decline	
Human Capital Index	\$500,000	\$500,000	0%	0%
Social Capital Index	n/a	n/a	Unknown, but available non-monetary indicators suggest stability	
Consumption*	\$24,300	\$37,500	54%	1.36%

Growth in *consumption* far outstripped growth in *wealth*.

This may *not be sustainable* in the long run.



UN data show uneven performance for Canada among G7 members

Country	Real comprehensive wealth <i>per capita</i> *			Annual growth (1990–2010)	
	1990	2010	Rank (2010)	Rate	Rank (2010)
Canada	475,846	502,972	{ 1 }	0.28%	{ 7 }
France	342,866	425,022	5	1.08%	2
Germany	325,513	435,655	3	1.47%	1
Italy	276,943	324,712	7	0.8%	5
Japan	361,234	432,236	4	0.9%	3
United Kingdom	345,487	409,074	6	0.85%	4
United States	411,673	463,375	2	0.59%	6

* All values expressed in thousand constant 2005 U.S. dollars.

Source: UNU-IHDP & UNEP, 2014.

One one hand, Canadians are
very wealthy...

...but we're not *managing* it very
well.



What can be done?

Start by *measuring what matters in the long run*

- Canada ***can and should*** begin regularly measuring comprehensive wealth
 - Statistics Canada already collects much of the needed data

Canada could quickly become a *global leader* in this important effort



Then act on the measures

Governments need to
move *beyond GDP*

- According to the CD Howe Institute, “GDP is so 20th century”¹

It's time to begin making *balanced decisions* that
take *long-term sustainability* into consideration

1. See <https://goo.gl/mO1Zis>

Reverse the decline of natural capital



- We can't afford to continue consuming our natural capital so quickly
 - Especially since climate change is a looming threat

The revenues from natural capital need to be *reinvested* to build comprehensive wealth for the future¹

1. See <https://goo.gl/xBK4tL>

Better understand human capital



- It's not clear why human capital has stalled
- More research is needed in this important area

Human capital is **80 per cent** of Canada's comprehensive wealth

Thank you and please help spread the word



- For more information:
 - <http://www.iisd.org/comprehensivewealth/en/>
 - @CompWealth
 - #beyondGDP
 - rob@midsummer.ca



Comprehensive wealth accounting

The international perspective

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The International Experience: Some Examples



Examples

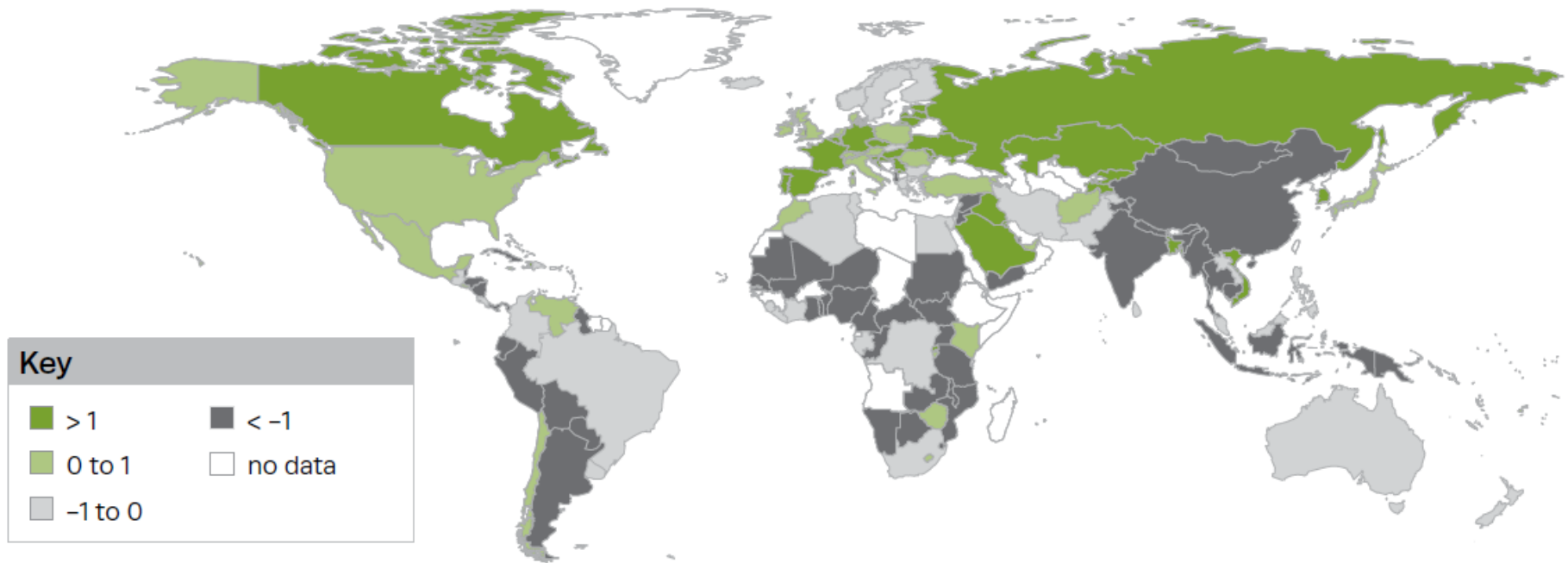
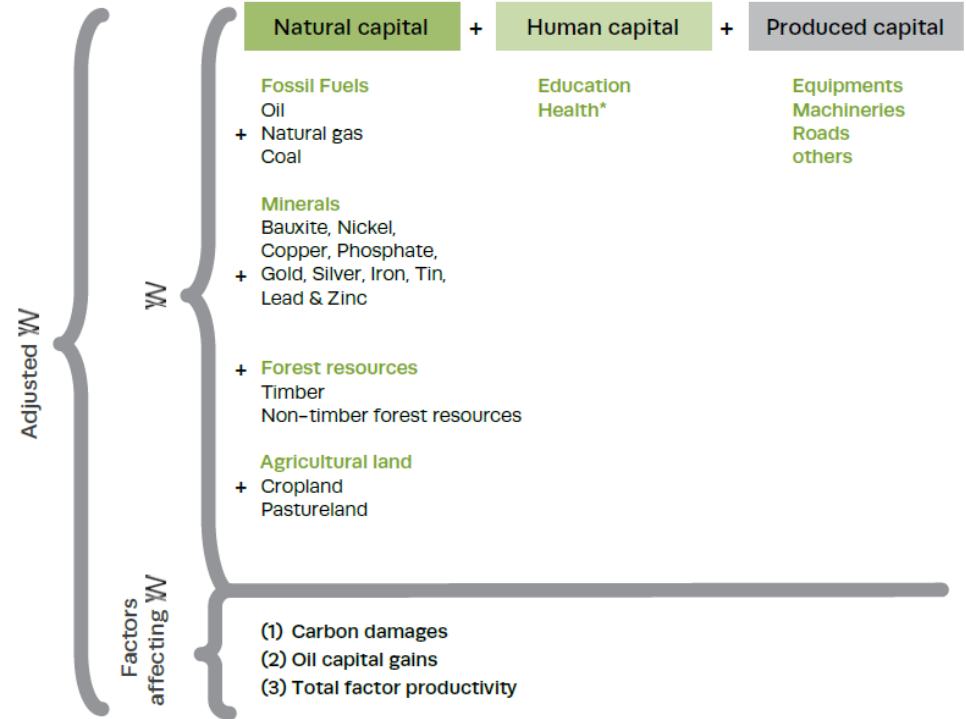
- **World Bank** (1997, 2005, 2010, 2017)
 - Comprehensive wealth
- **UNEP/ UNU-IHDP** (2012, 2014)
 - Inclusive wealth
- **UK Office for National Statistics** (2012, 2016)
 - Aggregate natural capital
- **UN SEEA** process (UN, 2013a,b)
 - System of Environmental and Economic Accounts

Comments

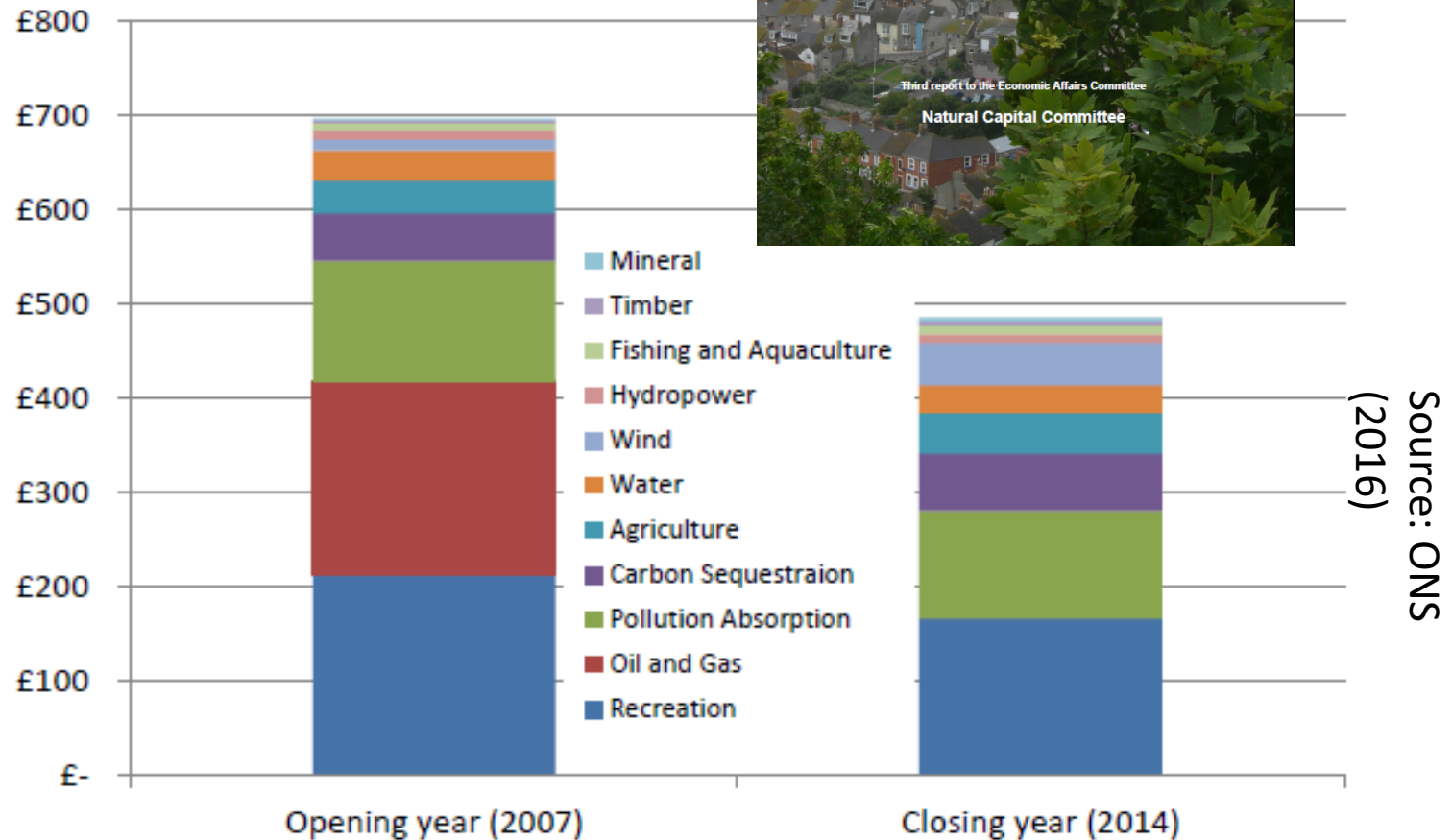
- **How do approaches relate to one another?**
 - Is everyone doing something different?
- **Larger family of related studies differing on ...**
 - Grounding in “economic theory”: e.g. concepts of sustainability
 - Closeness of relationship to recognisable national accounting
 - Focus: e.g. saving, income (GDP+) rather than wealth only

Illustration from UNEP/ UNU-IHDP (2014)

Growth in per capita
adjusted inclusive wealth,
1990-2010



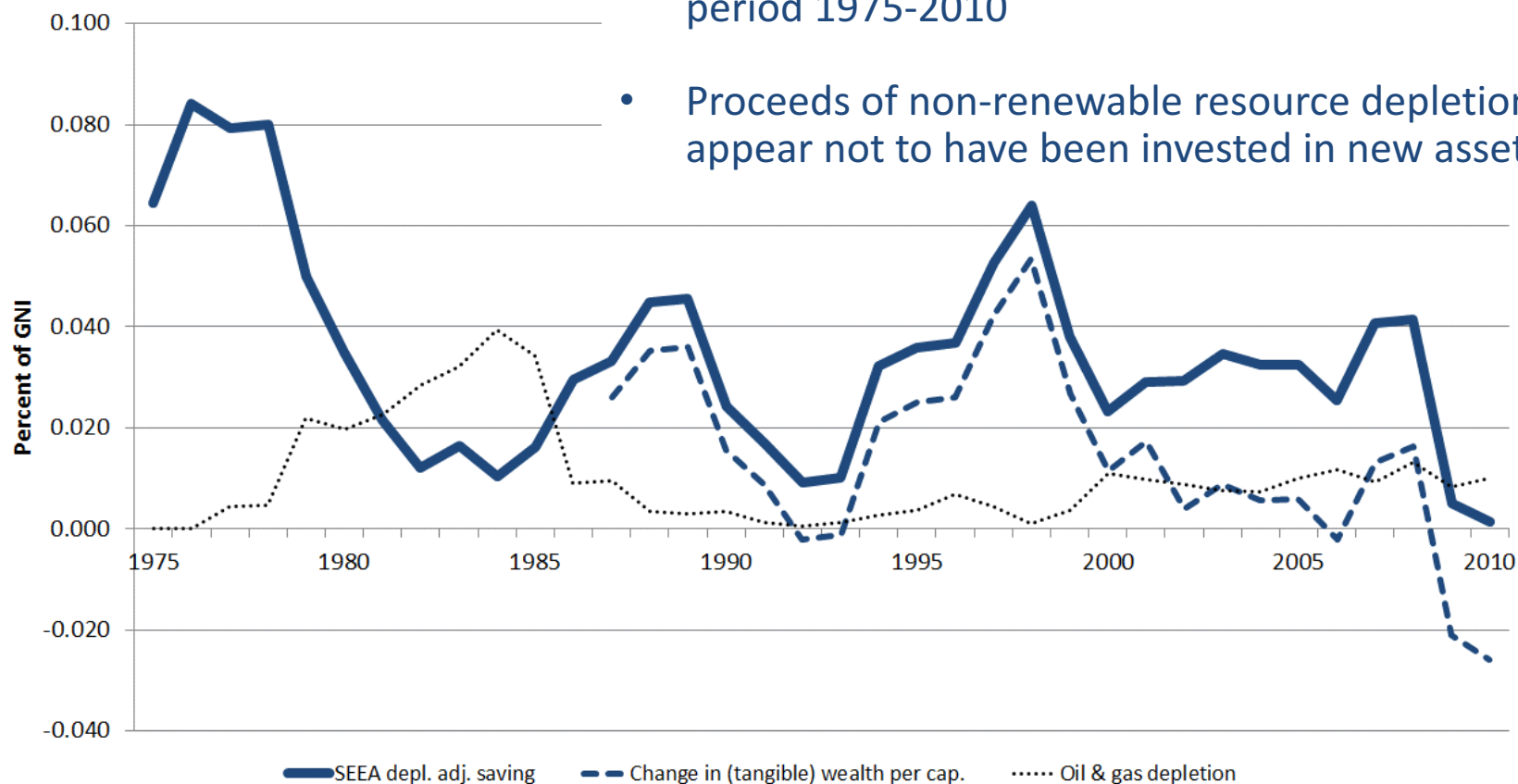
Example for United Kingdom



Measuring the sustainability of development



- **Net saving relatively low** in United Kingdom over period 1975-2010
- Proceeds of non-renewable resource depletion appear not to have been invested in new assets



Source: Atkinson & Hamilton (2016)