

# THE ECONOMICS *of* HAPPINESS

BUILDING GENUINE WEALTH

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## The Genuine Wealth Model

ECONOMICS, AS WELL AS BUSINESS, must be reoriented towards the genuine development of human well-being, in balance with the well-being of nature, not simply the pursuit of efficient economic growth for growth's sake. I am not alone in this proposal for a new and more compelling vision of human development. Amartya Sen, winner of the 1998 Nobel Prize in Economic Science, argues in his book *Development as Freedom* that freedom is the ultimate goal of economic life and the most efficient means of realizing general welfare. Sen attempts to redefine economic development not in terms of GDP but in terms of the real freedoms that people enjoy. Sen's view of well-being is formulated as follows: "We all want the capability to live long (without being cut off in our prime) have a good life (rather than a life of misery and unfreedom)" and "We would all like to lead a kind of life that we have reason to value."<sup>1</sup> He addresses an even larger question: What is the relation between our economic wealth and our ability to live as we would like?<sup>2</sup>

My proposal for the new paradigm of Genuine Wealth for current and future generations considers these ultimate goals. Genuine Wealth is grounded in what I believe we value most about life: love, meaningful relationships, happiness, joy, freedom, sufficiency, justice and peace. The ultimate goal is an economy and society dedicated to well-being. Well-being constitutes a more compelling vision than simply more economic growth and more material possessions; well-being is about quality of life.

## Philosophical foundations

Like the foundation of a house or the roots of an oak tree, Genuine Wealth is based on the belief that if we measure our progress in accordance with what makes life worthwhile, then we will live authentic and flourishing lives: the "good life." By measuring what matters most to our quality of life and ultimate happiness, we are more conscious of those conditions of living we should celebrate and those we could work to improve. Only then can we say that we are genuinely pursuing happiness and the good life for the common good of all.

At the philosophical heart of Genuine Wealth are some fundamental tenets. First: true wealth represents all the things that make life worthwhile, not simply monetary or material possessions. Second: true wealth is abundant, not scarce. Third: true wealth is more abundant when freely given and freely received through the spirit of reciprocity. Fourth: true wealth ultimately comes as a gift from God; each one of us has a responsibility to be co-stewards with God for this wealth. This is particularly true of natural capital or the gifts of nature which are abundant yet priceless. Fifth: the management of our genuine wealth is grounded in sustaining the integrity and vitality of the assets which contribute most to our pursuit of love and happiness; that is, the pursuit of flourishing individuals, households, communities and ecosystems.

We can add to this model tenets from many religions, from the sustainability and environmental movements. Genuine Wealth is intended to celebrate each individual's, each household's and each community's unique values and principles. There is no single set of "right" principles.

Figure 5.1. Old Economy of Scarcity vs. New Economy of Well-being

Old Economy of Scarcity	New Economy of Well-being
Resources and money are scarce	All wealth, including money, is abundant since it is a gift from God for all to receive and share
Progress is driven by consumption and productivity	Progress is driven by the pursuit of happiness and genuine well-being
Consumer	Citizen
Politician	Statesman
Hoarding and profit maximization	Sharing, gifting, reciprocity
Fear of not enough	Joy in sufficiency
More growth is good and necessary	Sustainability and flourishing communities are good

In the Genuine Wealth model, each individual first realizes his or her genuine wealth. This realization then extends to the household or family. From the family the awareness of Genuine Wealth extends to the neighborhood and communities at large.

### A practical tool for measuring well-being

The Genuine Wealth model is not only a philosophy but also a process and practical tool to account for conditions of life that both contribute or detract from our genuine well-being and state of happiness. Built on the principles and tools of the 500-year-old accounting model developed by Luca Pacioli, Genuine Wealth takes inventory of all of the conditions of life that contribute to our individual and collective well-being. The model recognizes that these assets of well-being are in various conditions from excellent to poor. In this sense we establish a true wealth balance sheet showing us both our assets and liabilities with respect to quality of life.

Conducting a Genuine Wealth Assessment is akin to the full medical checkup we get from our doctor every year, except that it provides a full-length mirror of our physical, mental, emotional and spiritual well-being, as well as our financial well-being and the well-being of the environment in which we live and work. Through this assessment we become more aware of our key strengths but also identify areas for improvement.

### Examining our values, principles and virtues

As a process, Genuine Wealth Assessment begins by examining our values. Our values define us. What really makes life worthwhile? What defines our state of happiness? What are the ends that our hearts desire? We require honest answers to these key questions:

- a. How's life?
- b. What's going well in life?
- c. What areas would we like to improve?

Answers to these questions lead us to attributes and indicators we can use to assess our well-being. This is true at the individual, household and community scale.

Genuine Wealth Assessment also requires articulating the *principles* which guide our lives, our families, our workplace and our communities. Principles are important underlying assumptions or laws. Principles are akin

to the words contained in the US Declaration of Independence. They are statements of things we believe, we aspire to and which guide the ways we act.

GWA may also require examining what we call *virtues*. Virtues are particular qualities that are morally good or admirable. E.F. Schumacher noted that the mother of all virtues is prudence, meaning seeing reality with clear-eyed objectivity. Prudence can only be perfected when one silently contemplates reality, temporarily silencing humanity's egocentric interests. Schumacher concluded that "Prudence implies a transformation of the knowledge of truth into decisions corresponding to reality."<sup>3</sup> Virtues such as these are central to genuine wealth.

Raising awareness of the wisdom of virtues is critical to building economies of well-being. Whether we begin by examining our values, principles or religious virtues, the process requires a deep heart-felt connection to what defines us and the good life. This is both an individual and collective exercise.

### What is the good life?

Genuine Wealth Assessment (GWA) examines the good life and distinguishes between ends and means. In his book *Small is Beautiful* published in 1973, economist E. F. Schumacher examined economics through Buddhist eyes. Schumacher had lived in a Burmese Buddhist monastery. He observed that a Buddhist economist would define the good life according to Buddha's teaching of Right Livelihood — the path and means to enlightenment, the ultimate end of life. Schumacher noted that in Burma, there was no conflict between religious values and economic progress. There, spiritual health and material well-being were not enemies but indeed natural allies; Burmese people felt they had a sacred duty to link both their dreams and their actions to their faith. Schumacher criticized western neoclassical economists, noting that they suffer from "metaphysical blindness, assuming theirs is a science of absolute and invariable truths, without any presuppositions. Some go as far as to claim that economic laws are as free from 'metaphysics' or 'values' as the law of gravitation."<sup>4</sup>

In Buddhist philosophy the fundamental source of wealth is human labor; work and leisure are complementary parts of living, and one can enjoy work without compromising the bliss of leisure. For a Buddhist economist the essence of human civilization is not in the multiplication of wants and material possessions but in the purification of the human character and ultimately the enlightenment of one's soul.

George McRobie, reflecting on Schumacher's book twenty five years after it was published, notes that Buddhist economics would distinguish between misery, sufficiency and excess; that economic growth would be good only to the point of sufficiency. In a Buddhist view limitless growth is disastrous; an economy founded on renewable resources and hence an economics of permanence would be the norm. Modern economics views consumption and hence economic growth as the sole end and purpose of all economic activity. In our current era few remind us of this ancient wisdom which articulates the principles of good life. Without strong philosophical foundations our modern economies steam along that path of unlimited growth even as the crisis of ecological Armageddon looms large.

Consider this vision of the good life:

- Meaningful and flourishing life defined by a productive work day (but no more than three or four hours)
- Time for personal re-creation, quality time with friends and family celebrating the genuine wealth of nature and each other
- A life of genuine giving and receiving, of reciprocity
- Forgiveness of financial debts and ultimately the elimination of interest on debts
- Equitable redistribution of financial wealth
- Regular Sabbaths: periods of resting or pausing to thank God for the gifts of the good life

Could anyone deny that such a vision is more compelling than the current culture sick with affluenza and consumption yet hungry for meaning? We have the capacity to achieve a good life defined by moderation and sufficiency.

### A taxonomy of needs, wants, wealth and poverty

In order to identify the genuine wealth of an individual, household or community it is critical to distinguish between human needs and wants, between what constitutes true wealth and poverty (the absence of genuine well-being). What are the basic needs for well-being? Well-being research is a complex, new and emerging field of study. Historically, it began with psychologist Abraham Maslow's hierarchy of needs. Maslow defines basic needs — physiological, safety, love, esteem and self-actualization — in hierarchical order moving from bottom (physiological) to top (self-actualization). Each plateau of need must be satisfied before a person can act unselfishly. According to

Maslow, so long as we satisfy needs, we are moving towards growth and self-actualization.<sup>5</sup>

Chilean economist Manfred Max-Neef and his colleagues have provided an important taxonomy of human needs and a process by which communities can identify their wealths and poverties according to how these needs are satisfied.<sup>6</sup> Max-Neef says human development is "focused and based on the satisfaction of fundamental human needs, on the generation of growing levels of self-reliance, and on the construction of organic articulations of people with nature and technology, of global processes with local activity, of the personal with the social, of planning with autonomy, and of civil society with the state."<sup>7</sup>

Max-Neef's work goes beyond Abraham Maslow's by clearly distinguishing basic human needs from what provides a good life. Human needs are few, finite and classifiable — clearly distinct from the conventional economic notion that wants are infinite and insatiable. Max-Neef notes that "human needs are constant over all cultures and unchanging; what is different and what changes over time is how these needs are satisfied or met."<sup>8</sup> Satisfiers can have different characteristics. Some satisfiers while meeting a specific human need may in turn destroy the possibility of satisfying other needs. There are also some synergic satisfiers that lead to satisfaction in more than one area of life.

Max-Neef classified fundamental human needs under nine headings: subsistence, protection, affection, understanding, participation, recreation (that is, the sense of leisure, time to reflect, or idleness), creation, identity and freedom. He defined needs according to four existential categories (being, having, doing and interacting), and from these dimensions he developed a 36-cell matrix filled with examples of satisfiers for those needs.

Unlike Maslow's hierarchy, Max-Neef's framework recognizes that human needs, like a forest ecosystem, are interrelated and interactive. In other words none is more important than the other; each is a necessary complement to the other though trade-offs are made constantly in the process of satisfying needs. But as in an ancient Redwood forest, there is continuous movement toward harmony.

The Max-Neef taxonomy of human needs and satisfiers provides a useful framework for Genuine Wealth Assessment. Using this taxonomy we can identify impediments to meeting fundamental human needs but also highlight synergies which help achieve higher states of well-being and happiness.

## Distinguishing between means and ends

In addition to understanding basic human needs that lead to happiness, we must distinguish between basic life needs and wants and between the means of well-being and ultimate ends.

Building on the earlier work on Max-Neef and Maslow, ecological economists Herman Daly and Josh Farley have proposed a framework for understanding a spectrum from the ultimate means to the good life (basic human needs) to the ultimate ends (highest aspirations). At the base of this

Figure 5.2. Max-Neef Matrix of Human Needs

Fundamental Human Needs	Being (qualities)	Having (things)	Doing (actions)	Interacting (settings)
subsistence	physical and mental health	food, shelter, work	feed, clothe, rest, work	living environment, social setting
protection	care, adaptability, autonomy	social security, health systems, work	co-operate, plan, take care of, help	social environment, dwelling
affection	respect, sense of humor, generosity, sensuality	friendships, family, relationships with nature	share, take care of, make love, express	privacy, intimate spaces of togetherness
understanding	critical capacity, curiosity, intuition	literature, teachers, educational policies	analyze, study, meditate, investigate	schools, families, universities, communities
participation	receptiveness, dedication, sense of humor	responsibilities, duties, work, rights	cooperate, dissent, express opinions	associations, parties, churches, neighborhoods
leisure	imagination, tranquility, spontaneity	games, parties, peace of mind	day-dream, remember, relax, have fun	landscapes, intimate spaces, places to be alone
creation	imagination, boldness, inventiveness, curiosity	abilities, skills, work, techniques	invent, build, design, work, compose, interpret	spaces for expressions, workshops, audiences
identity	sense of belonging, self-esteem, consistency	language, religions, work, customs, values, norms	get to know oneself, grow, commit oneself	places one belongs to, everyday settings
freedom	autonomy, passion, self-esteem, open-mindedness	equal rights	dissent, choose, run risks, develop awareness	anywhere



continuum are the ultimate building blocks or means of life including natural resources, matter and energy (natural capital). This is the realm of physics, biology and science. This is followed by intermediate means including human labor, tools, factories and the processing of raw materials into things that bring material comforts such as good food and shelter. This is the realm of technology and engineering. After one's ultimate means and intermediate means are satisfied comes another realm of intermediate means including our health, personal safety and living comforts. This is the realm of economics and politics. Finally, there are ultimate means which include happiness, well-being, enlightenment, love and union with God. This spectrum of means and ends could help us construct an inventory of life conditions at the individual, household or the community scale. Such an inventory would identify areas of strength and weakness, offering an objective mirror of reality.

Of course there are other ways of distinguishing between the basic needs and ultimate ends of life; each culture must define its own. It is thus important to distinguish between needs and wants. A want is a wish, craving or desire for luxuries that extend beyond our basic life needs or sufficiency. In their book *Your Money or Your Life*, Joe Dominguez and Vicki Robin describe the relationships between the money we spend on meeting our basic life needs and our level of fulfillment. They argue that people fall somewhere on a spectrum of economic well-being from survival mode (subsistence) through a comfort zone (sufficiency of basic needs) to the zone of wants, luxuries and a

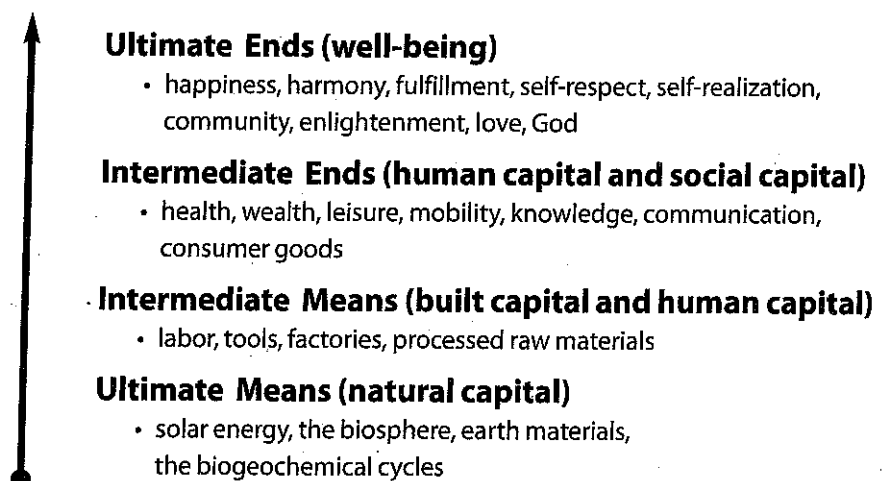


FIGURE 5.3. The Means and Ends of the Good Life

Credit: Adapted from Herman E. Daly. *Toward a Steady-State Economy*. W.H. Freeman, 1973, p. 8.

threshold they call “enough” — that point of maximum fulfillment of everything we need for a good life. Spending beyond “enough” gets you more luxuries with possible diminishing happiness or fulfillment. At some point more stuff does not bring added happiness.<sup>9</sup>

Another word for “enough” might be self-sufficiency or sustainability: the place genuine wealth might be realized. This might be a zone of genuine happiness. Each individual has the freedom to choose a level of sufficiency without value judgment, knowing that spending additional effort and money in accumulating more luxuries (which requires more life energy) does not necessarily translate into higher returns to happiness.

In today’s most affluent economies, most people’s basic needs have been fulfilled. I would expect to find that the vast majority are living well beyond “enough,” beyond material sufficiency. Many have enough and more. Yet, I also expect that a Genuine Wealth Assessment would reveal deficits of meaningful work, meaningful relationships, spiritual hunger and a collective deficit of love. This is the kind of inventory would provide a practical tool for building an economy of genuine well-being.

Another way of constructing a Genuine Wealth inventory, especially at the individual level, is to use a framework which defines the well-being of individuals. The New Economics Foundation’s *Well-being Manifesto* identifies key determinants of well-being from a growing body of research into happiness economics and well-being analysis. They identify three key factors that contribute most to the well-being of the individual:

1. About 50% of your well-being can be attributed to your genetics, including your upbringing, childhood, parents and your environment
2. About 40% can be attributed to your social and recreational activities including socializing, exercising, engagement in meaningful work, appreciating and savoring life and “looking at the bright side”
3. The final 10% of well-being is attributed to your life circumstances, including your income, material possessions, marital status, the weather and where you live (your neighborhood)<sup>10</sup>

What is remarkable about these findings is the relative insignificance of money or income and the importance of having loving and meaningful relationships both early and throughout life.

According to this new well-being research, life satisfaction can be defined as:

- Being engaged in life
- Being curious
- Feeling life as a flow (where time seems to stand still)
- Personal development and growth
- Autonomy
- Fulfilling your potential
- Having a purpose
- Feeling that life has meaning

People who are happy and report a high satisfaction with life tend to be more sociable, creative, altruistic, generous, tolerant, productive, creative, healthy and long-living.<sup>11</sup>

The work by the NEF and well-being research in general is critical to managing an economy of well-being. Genuine Wealth must be firmly grounded in research into the key determinants of well-being. We need this research in order to measure Genuine Wealth at the individual and community scale.

### The five capitals of Genuine Wealth

Genuine Wealth integrates and harmonizes five categories of wealth or capital which collectively contribute to the good life and form the basis of an economy of well-being.

The image I use to portray the harmony and integration of the five forms of capital is a flower with five petals surrounded by a circle. This is very similar to the medicine wheel of many indigenous cultures in North America. The five petals of this Genuine Wealth flower should be viewed as complementary, integrated, in harmony and genuinely competitive (that is, striving together) because all forms of capital are necessary to optimum well-being and ultimately happiness. This image is consistent with Max-Neef's concept of the integration and complementarity of human needs, recognizing that trade-offs are necessary. It also reflects Luca Pacioli's vision of divine proportion.

What are the five capitals?

#### *Human capital*

Human capital means people: the sum of our individual minds, bodies, spirit, souls, dreams, visions, knowledge, skills, competencies, capabilities and other human attributes. Human capital also includes our mental, physical,

emotional and spiritual health. A flourishing individual, household or community is one in which the human community is diverse, enjoys meaningful work balanced with meaningful leisure time, and time to pursue the aspirations of the heart and soul.

**Social capital**

Social capital refers to the strength of our relationships with each other. It refers to intangible qualities like trust, the ability to work together towards common goals, shared responsibility, reciprocity, neighborliness and a sense of belonging in community.

**Natural capital**

Natural capital includes the free gifts from nature: natural resources (forests, agricultural soils, oil, natural gas, coal and mineral resources), land, and ecosystem services like clean air, water and climate regulation from forests,

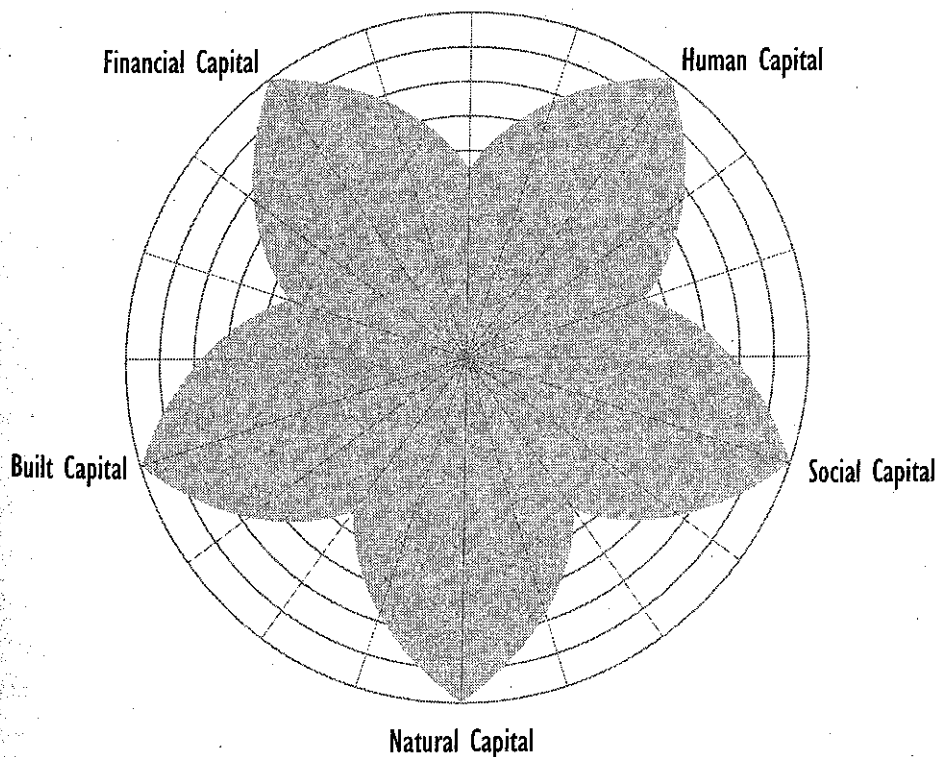


FIGURE 5.4. Five Capitals of Genuine Wealth

Credit: Mark Anielski, Anielski Management Inc.

watersheds and wetlands. While natural capital may be freely given by nature, it is perhaps the most important form of wealth. We cannot survive without it.

### *Built capital*

Built capital includes all things that have been made or manufactured with both human and natural capital including equipment, factories, tools, buildings and other physical infrastructure. Manufactured capital contributes to our overall economic well-being by providing the intermediate means to a good life. Manufactured capital includes private and public infrastructure: homes, household appliances, cars, factories, hospitals, schools and roads. It also includes new technology, designs, patents, processes and ideas.

### *Financial capital*

Financial capital is essentially money or anything denominated in monetary terms including cash, savings, investments. This includes debt, mortgages and other loans. Most money in our modern economies is in the form of debt or financial liabilities to which interest charges are attached.

Another way to visualize the Genuine Wealth model is by thinking of an oak tree or mighty redwood whose roots secure and nourish the tree, drawing water and nutrients from the soil. An oak tree has a strong, thick trunk and branches and an expansive root system. The tree roots represent our values, principles and virtues: they are the foundation of our life's journey. A tree with weak roots can be blown down by the many stormy challenges of life. An individual or community which is not in touch with its core values is subject to blow-down. A redwood tree has a huge girth from years of growth; many mature redwoods reach 500 years of age. Walk through forest of old redwood trees, and you will appreciate the harmony, balance and reciprocity of that ecosystem.

A tree's trunk increases in circumference with each year and growth season; each ring of growth is like a diary of the conditions of life that the tree experienced in one season of existence. Some tree rings are thick, representing periods when living conditions were ideal; thinner rings may reflect a poorer season. In our lives too, some periods are productive and flourishing while others offer challenges that test our well-being. Trees also have strong and diverse branches whose leaves draw free sunlight. Through the magic of photosynthesis sunlight is converted into pure energy that nourishes the tree and helps the branches, trunk and roots to grow. In our own lives, there are many

branches that affect our overall well-being — physically, mentally and spiritually.

Each tree in a forest is like an individual human being in a family, household, neighborhood or community. Like trees, we live in community or in an ecosystem. Each individual brings a unique set of skills, capacities and spirit that together contribute to a healthy, vibrant and flourishing human ecosystem of reciprocal relationships. While each of us is unique, together we constitute a true economy or a household.

### Accounting for the five capitals of Genuine Wealth

How do we measure Genuine Wealth? To measure something we must observe it; we can observe exterior appearance or what is revealed of interior spirit. We usually measure exterior appearance with the different tools and units of measure of objective measurement. Yet, no matter how carefully we measure “objectively,” something is still something missing: softer, intangible attributes of a thing or experience or what we feel in our hearts. Measuring subjectively requires getting in touch with how we feel about a thing or experience.

Take crime or violations of our sense of safety as examples. We can measure the crime rate in a community; that’s an objective proxy measure of a community’s collective safety. But, a rate lacks an important subjective attribute: how we feel personally about safety in our community? Do we, for example, feel safe walking alone in our neighborhood at night? Do we let our nine-year-old daughter walk to the grocery store for a popsicle without worrying about her safety? Measuring genuine well-being requires both objective and subjective indicators. Even then measuring the conditions of any attribute of well-being will be incomplete. It’s as impossible as describing completely how a tree functions, how photosynthesis works or how a forest can remain in apparent harmonious development for centuries.

Measuring Genuine Wealth attributes can be done whether we are looking at an individual person, a family or household, a neighborhood or community, a city, state, province or nation. Each may have different well-being characteristics for which different objective and subjective indicators are necessary.

Measuring Genuine Wealth at the individual level is about measuring our personal physical, emotional, mental and spiritual conditions. At the household level, it’s about measuring the five capital conditions that

contribute to the quality of the household or family. At the neighborhood or community level it assesses the overall quality of life conditions (social, environmental, economic). At the workplace level it considers whether your work is meaningful and your work environment is stimulating and flourishing. At the level of cities, provinces, states or nations Genuine Wealth Assessment includes economic, social and environmental conditions at the broadest possible scale. Measuring Genuine Wealth requires multiple approaches to the physical and qualitative conditions of the five forms of capital. It may also involve conducting a full monetary accounting of the costs and benefits associated with each of the five forms of capital.

This overall inventory of well-being conditions can use the Max-Neef human needs and satisfier framework or Herman Daly and Josh Farley's means-to-ends framework to establish a series of well-being ledgers or accounts. In some applications (for example my work with the community of Leduc, Alberta<sup>12</sup>), soliciting the values from citizens in a community helps to establish well-being themes and to create associated well-being indicators as proxies for these themes.

Well-being ledgers reveal the strengths (assets) and weaknesses (liabilities) of a household's or community's genuine wealth (their five capital assets or well-being themes). Indicators are used as proxies for the real conditions of each of the five capitals. Indicators can be objective or subjective. Objective measures are things like statistical data (e.g. crime rates); subjective measures include indicators of how we feel or our perceptions of a certain issue or condition (e.g. how we feel about our personal safety). The results can be presented in a new Genuine Wealth balance sheet which shows the assets, liabilities and the distribution of genuine wealth within a community.

### The Genuine Wealth Assessment life cycle

Like a medical checkup, Genuine Wealth Assessment (GWA) is a comprehensive well-being checkup for a household, business, community, city, state, province or nation. It allows an individual, household or community to examine itself in a mirror and to celebrate its strengths or assets while acknowledging its weaknesses or liabilities. The GWA is a particularly useful tool which allows organizations or communities to plan for sustaining their assets, to mitigate any well-being deficits and to achieve genuine sustainability, a flourishing legacy.

The GWA process follows a series of steps in the life-cycle shown here:

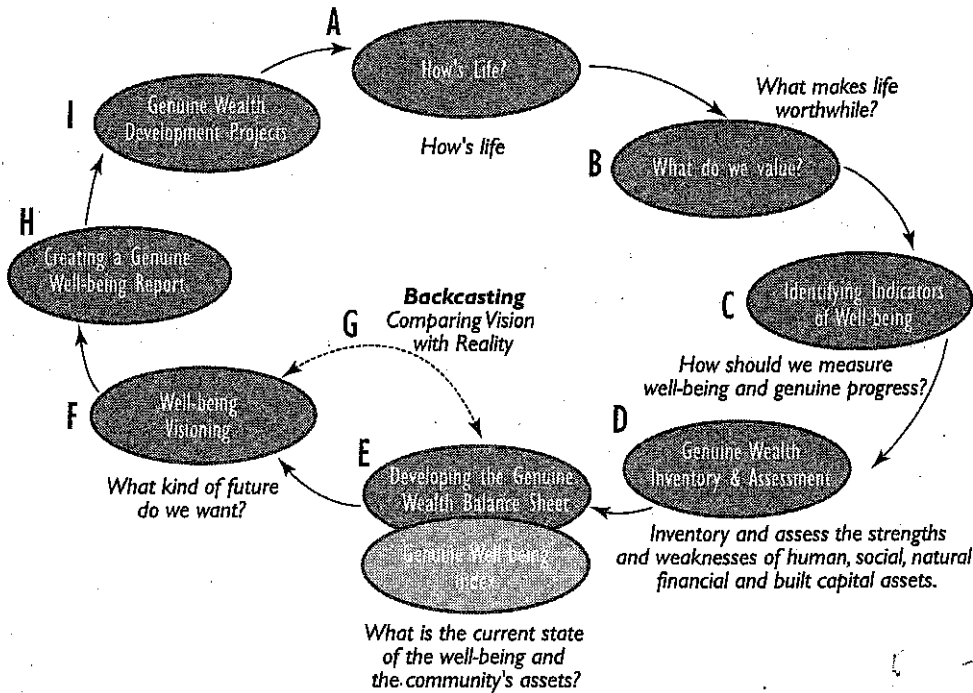


FIGURE 5.5. The Genuine Wealth Model for Communities

Credit: Mark Anielski, Anielski Management Inc.

**How's life?**

The first step in the GWA involves a self-examination of our own quality of life. Take a long look in the mirror, examining your strengths and weaknesses. It's a mirror of light and dark. Ask yourself and your community questions in these five fundamental areas:

1. How's life? How happy are you about life today (your personal life, your physical health, your spiritual life, your family life, your work life, your sex life, your community life)? Do you feel you have strong and loving relationships with loved ones? Do you feel the work you do is meaningful?
2. What do like most about your quality of life, your family's and your community's? What are your strengths, your skills and your capacities?

This is your light mirror. It can be as simple as asking a child: what makes you happy?



3. What do you feel are your weaknesses or areas you could improved (in your own life, your family and your community)? What do you like least about your community? What do you feel are the liabilities for realizing the good life? What areas do you feel are currently hindering or interfering with your pursuit of genuine happiness? When asking a child: what makes you sad?

This is your dark mirror.

4. What is currently going well for you personally in your family and your community?

From answers to these questions we can celebrate our assets.

5. If you had the power to change anything about the your personal quality of life, your family's or your community's, what areas would you change or like to see improved? When asking children I ask: if you could wish for anything for your family, what would it be? This provides the basis of envisioning a new and improved tomorrow.

Considering these questions is exciting and meaningful for people. We love to examine these quality of life issues and talk about them openly with our families and our neighbors.

There are many tools for gathering information including using telephone surveys, on-line, web-based surveys or using dialogue with citizen groups. In my experience, surveys are less meaningful than engaging people in dialogue. I like to talk with high school students, with senior citizens in retirement homes or with club members. My favorite process is called conversation or world café: small groups of people (usually no more than eight in a cluster) come together, explore questions and share their responses. We are after all social creatures, and we love to talk and share stories. Stories are powerful; each of us has our own story to share and tell.

I have witnessed many magic times when people came together to share, to listen and to participate in respectful dialogue. While dialogue processes take time, I believe they are most important because they allow people to feel they are having meaningful input into the processes of civil society and in the

stewardship of our shared economy of well-being. Through dialogue we come to appreciate that each of us has unique gifts and dreams for happiness and the good life. We come to appreciate each other's strengths and can see the benefit of sharing — of giving and receiving each other's gifts. We begin to realize genuine wealth as the diversity of human being. Such dialogue creates democracy in which everyone is invited to contribute.

### *What do we value?*

The second step is values assessment: a personal and collective examination of our values and principles of living. We address the fundamental question: what makes life worthwhile? Remember that the word value refers to that which is worthy or good. What do you feel contributes most to a happy and good life — for yourself, your family and your community? What values form the foundation for a healthy and vibrant workplace or a vibrant, flourishing and sustainable community? What principles form the foundation of our decision making? Does your family, organization or community have a set of principles? Imagine writing your own declaration in the way Thomas Jefferson wrote the US Declaration of Independence. What would such a declaration hold up as the highest goals and virtues of a good society, a happy and good life? Without a sense of what we value we are like ships without rudders.

We might turn to existing statements of principles and values for right livelihood. This could include principles and virtues that come from our religious practices and spiritual convictions. We may find inspiration from statements like the Declaration of Independence — statements we feel have meaning across generations and cultures. These principles may be new, like the four system conditions of The Natural Step which speak to the need to live in harmony with nature and right stewardship of renewable natural resources while avoiding the use of chemicals and other things that are not otherwise food for nature (that is, toxic).<sup>13</sup>

For most people identifying values is difficult since we rarely examine our core values — what we find to be worthy and true in our hearts. We must put aside what we have been conditioned or taught to believe about the way the economy and world works. We may discover that what we actually value in our hearts is disconnected from what the world teaches us. What an opportunity to go deeper in a genuine reflection of what we value most and to enter a genuine dialogue with our family members, our neighbors and co-workers!

This, in my experience working with organizations and communities, can be exhilarating and meaningful.

Answering larger questions create a values inventory: a set of statements of what makes life worth living; what we hope and dream for; our vision for the future well-being of our children and grandchildren. The values form a blueprint for the construction of our good-life household or community. Because we are individually unique, with unique skills, capacities and dreams, each household and community may have a different well-being blueprint. That's OK because humanity is diverse; we all have something important and unique to offer in the economy of well-being.

### *Identifying indicators of well-being*

The next step in the GWA is to identify indicators of well-being, quality of life and sustainability. We are trying to identify measures that matter — that align with our values. The indicators we create are meaningful proxies. They can be objective or subjective. Some will be measured statistically while others will be measured in terms of our perceptions (how we feel about a particular issue). Engage citizens by asking them to identify measures of progress that they would want to hear about on the morning news. Would they be curious to know how each neighborhood in a city rated their happiness? Indicators must resonate with people's sense of what matters.

Complementing citizen consultation, it's critical to include the input of experts and professionals. In our communities there are many who gather statistics and information ranging from crime statistics (police), real estate values (real estate agents), financial statistics (bankers), health statistics (hospitals, doctors, health authorities) to environmental statistics (municipal officials, provincial/state government experts or environmental groups). I liken these experts to doctors: they know how to diagnose conditions in their particular area of interest or sector and can provide an expert and informed opinion about the conditions of various attributes of the human, social, natural, built and financial capital assets of a community.

The next step is to compare notes from the citizen-based input and the expert input to find areas of overlap and convergence. Very often, citizens will provide input that is based on their intuition or simply common sense. This is critical. Experts, on the other hand, often will provide counsel based on the parameters of their field. However, experts may not be in tune with citizen perceptions of what is meaningful. At the same time, citizens may be un-

aware of various conditions of well-being that experts understand. Both citizens and experts can learn from their respective input.

Next, attempt to align the expressed values of citizens and the indicators that both citizens and experts have identified. This task often reveals gaps; what may be a value (e.g. healthy democracies) may lack meaningful indicators for measuring a condition. These gaps suggest where we must explore for new indicators and gather new data.

### *Genuine wealth inventory and assessment*

As Luca Pacioli reminded Venetian business people, keeping a good inventory of one's assets is important to running a flourishing business. Taking a Genuine Wealth inventory is more comprehensive; it involves assessing the physical, qualitative and monetary conditions of five forms of capital assets. Working with statistical agencies (e.g. Statistics Canada), information experts along with various key groups in a community, the new economics conducts a comprehensive inventory of the current and historical conditions of human, social, natural and built and financial assets. These conditions can be measured in physical (or quantitative) terms and qualitative terms, as well as in monetary terms (that is, in terms of the full cost or benefit attributes of a capital asset). Such an inventory can be conducted on any scale from household to nation. What gets inventoried should be aligned with the values and well-being indicators which were identified. The inventory is the database that populates the indicators with information.

A community Genuine Wealth inventory creates a map of community assets. Assets might include items like skills, capacities, personal free time, parks, bike trails, infrastructure, financial assets or natural resources (trees, water, green space). In addition, community deficits or weaknesses should also be identified and recorded. The intention is to celebrate one's assets while identifying weaknesses that become tomorrow's to-do list of actions.

Prof. John McKnight, author of *The Careless Society*, makes a clear case for mapping a community's assets (resources) and liabilities (needs). He argues:

Each community boasts a unique combination of assets upon which to build its future. A thorough map of those assets would begin with an inventory of the gifts, skills and capacities of the community's residents. Household by household, building by building, block by block, the capacity mapmakers will discover a vast and often

surprising array of individual talents and productive skills, few of which are being mobilized for community-building purposes... In a community whose assets are being fully recognized and mobilized, these people too will be part of the action, not as clients or recipients of aid, but as full contributors to the community-building process.<sup>14</sup>

### *Developing the Genuine Wealth Balance Sheet*

Once the inventory of community assets and liabilities is complete we prepare a Genuine Wealth Balance Sheet which reveals the physical, qualitative and monetary conditions of a community or organization's five capitals. This balance sheet, unlike traditional financial balance sheets, is a comprehensive and integrated assessment of human, social and natural capital combined with an accounting of the built and financial capital assets that are all necessary for sustainability and flourishing communities. If any one asset is weak then one knows that the community as a system is also less robust than it might be.

How can so many indicators be compared with each other given that different units of measurement are used? We are accustomed to using money as the only common measure of comparison. However, it is possible to compare indicators that use different measurement units through a process of indexing normalizing data: converting the original data into a common unit of measure that can be compared to any other indicator. In essence this involves converting original raw statistical data (e.g. crime rates) to an index score using a scale of 0 to 100 basis points where a score of 0 would reflect the poorest possible condition (the worst crime rate in 50 years) while a score of 100 would represent the best possible condition (the lowest crime rate in 50 years).

This process of indexing requires the selection of a benchmark. A benchmark may be a starting point in a statistical series, like a base-year (e.g. 1970). A benchmark can also be a target or predefined objective. It can also be a specific condition of well-being that is the optimum state over a period of time. For example, using life expectancy as an indicator of a population's overall health, the longest life expectancy achieved over the time series would be used to establish the benchmark. Regardless of how a benchmark is chosen, all other data points are compared against it, allowing users to determine whether conditions have improved or declined over time. Understanding trends is important to decision makers.

The Alberta GPI shows the conditions of 51 economic, social, health and environmental indicators for 1999 using the scale of 0 to 100. All indicators are placed on a single graph in the shape of a wheel or circle which constitutes a Genuine Wealth Balance Sheet showing both strengths and weaknesses in Alberta's well-being. What is immediately apparent are the strengths (e.g. economic growth, personal expenditures and life expectancy) in contrast to the weaknesses (e.g. savings rates, obesity, suicide and several environmental conditions) of Alberta's overall state of well-being.

While the capacity to compare otherwise incomparable data may avoid using money as the common metric, the process of benchmarking can involve value judgments. For example, if we were to use an indicator like the divorce

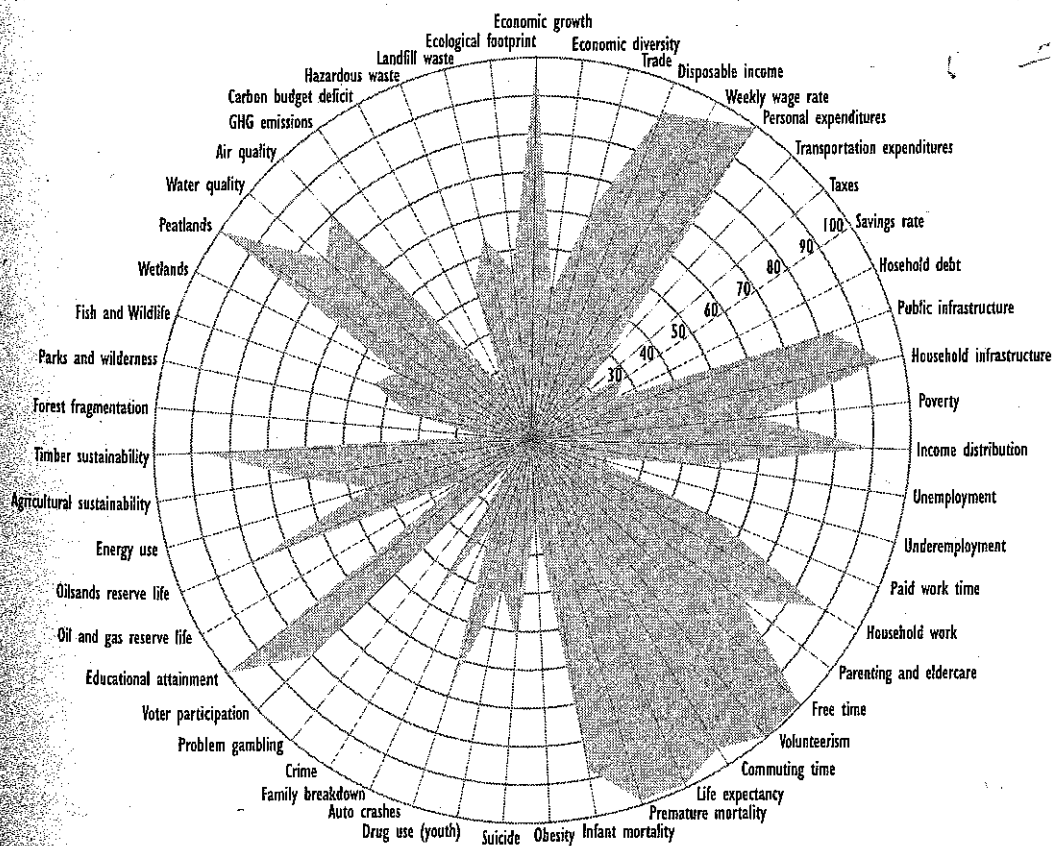


FIGURE 5.6. Alberta Genuine Progress Index, 1999

Credit: Mark Anielski, Mary Griffiths, David Pollock, Amy Taylor, Jeffrey Wilson, Sara Wilson. *Alberta Sustainability Trends 2000: Genuine Progress Indicators Report 1961 to 1999*. Pembina Institute for Appropriate Development, 2001.

rate what should the benchmark be? If we choose the lowest divorce rate as the benchmark we might be accused of moral bias against divorce. Another example is taxes: is a higher rate of taxation desirable or undesirable? The answer depends on how society views taxation or divorce. This is why a values audit is so important.

A key strength of setting benchmarks is that a number of indicators can be added together to create composite indices. For example, we could add environmental well-being indicators together to create an environmental well-being index. We could also add up indicators of all the five capital conditions and create a Genuine Well-being Index.

Aggregation assumes that all indicators in an index have equal weight and thus equal value. Equal weighting of indicators is controversial. Critics argue that composite indices are misleading since they assume that all indicators have the same value. This is a fair criticism. A good values audit can help determine the relative importance or weighting of indicators. However in practice, coming to consensus on whether, for example, the suicide rate is more important than the GDP, is ethically or morally difficult. I prefer to simply report and contrast the various indicators in their current condition, presenting a composite picture of well-being in the form of the Genuine Wealth flower index or circle/spider graph. The controversies of weighting can be avoided while retaining the benefit of a common unit of measurement for comparison of indicators.

### *Well-being visioning*

Looking at our community, households or organizations through Genuine Wealth Assessment, it is now possible to ask ourselves "given this reality, what kind of future do we want for ourselves, our children and their children?" Visioning defines a desirable future state of well-being based on reflections in the mirror of current reality.

To vision the future of a community we celebrate our assets but genuinely acknowledge the challenges towards achieving genuine well-being and sustainability. What can each one of us do tomorrow to be a better steward of the resources, assets and genuine wealth that we are blessed with? With the Genuine Wealth Assessment as a baseline, a community is better equipped to answer this question. This process must involve the entire community across the spectrum of age, sex, culture, race and socio-economic conditions. Every voice is important in visioning a well-being economy.

### *Backcasting*

Backcasting means comparing current conditions of well-being with our vision for the future. In that examination we look at the gaps between the desired future and the actual conditions of reality. How big are those gaps? How can we narrow them? What investments of time, resources and other factors will be necessary to get us from our current state to the desired future state? Backcasting can be a powerful process that leads us to change behaviors, business plans and policies. We must ensure that all wealth is conserved and that the integrity of all forms of capital is maintained — even improved — so that services may flow to future generations. This is at the heart of sustainability.

### *Creating a Genuine Well-being Report*

Drawing all the information together from the previous steps, we can prepare a Genuine Well-being Report to citizens just like the annual reports of publicly traded corporations to their shareholders. A Genuine Well-being Report reveals the economic, social and environmental conditions of well-being using indicators that actually matter to people. Such a report articulates the values and principles of the community. It reveals the results of a quality of life audit and information on changes in people's self-rated happiness. The report also talks about the distribution of wealth in the community addressing the all-to-often-ignored issue of the inequitable distribution of financial and material wealth. Such a report is intended for the coffee tables of every household, for every boardroom and the office of every business. It could provoke discussion and debate at town or city council meetings and in social agencies, informing policy and planning decisions about where to invest taxpayers' monies to improve or sustain the community's genuine wealth. A Genuine Well-being Report helps everyone vision what kind of community we want tomorrow and where and how we can invest the resources and assets that are available to realize that vision.

### *Genuine wealth development projects*

Reflecting on the results of a Genuine Wealth Assessment, households, businesses and decision makers can then plan to invest their time, money and other resources in actions and projects that will sustain or improve the genuine wealth of the community. Projects should improve the conditions of well-being of the community as a whole; they will improve the state of the community's balance sheet and build real assets. A direct budget link needs



to be made between any proposed project and the Genuine Wealth Balance Sheet so that real returns to improved well-being can be accurately accounted for and reported. We might call this genuine well-being budgeting.

All of these strategies imply commitment to full cost and benefit accounting. Full cost accounting refers to a process of collecting and presenting information, costs as well as advantages or benefits, for various alternative decisions. Costs and advantages can be measured in terms of environmental, economical and social impacts; these can be both tangible and intangible. The US and Alberta GPI projects used full cost accounting at an economy-wide scale. Other examples of full cost accounting at the policy level are examining the full social, economic and environmental costs of auto crashes to a community or analyzing the full value of recycling programs. Full cost accounting provides critical information for more informed decision making.

The Genuine Wealth process is a life-cycle of designing-building-operating communities focused on improving their overall well-being. One can repeat the process on a regular (e.g. annual or biennial) basis tied to existing planning processes like strategic business planning or long-range municipal development planning. The process could also become key in the political process by providing newly elected governments with a baseline well-being profile against which they could monitor their progress from one election to the next. A Genuine Wealth Assessment provides a unique, comprehensive and high-level perspective on a community's overall well-being which other planning processes tend to lack. I call this taking a 30,000 foot aerial perspective on a community. The process becomes one of sustainable Genuine Wealth management.