



**CSIN National Conference  
Accountability Through Measurement  
Toronto, Canada March 2-3, 2010**

# **Scoring Green Prosperity**

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**EthicalMarkets.com**  
**EthicalMarkets.tv**  
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**As many of you know I have long been an agitator for:**

- \* Better measurement of national trends
- \* Quality of life indicators – Canada's Conserver Society
- \* Corporate social responsibility, and
- \* Reforming markets worldwide

- > 1974-1980 US Congress Technology Assessment Advisory Board
- > National Academy of Science – Committee on Public Engineering
- > National Science Foundation Research Applied to National Need (RANN) Committee
- > Testified before Congress on need for CBO

**I debated many Congress members** on why our US national decision-making was going awry.

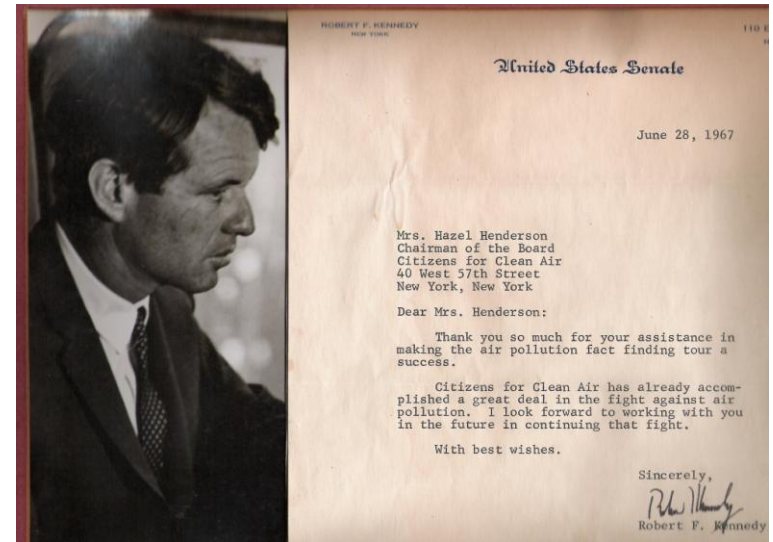
**I learned about special interests, lobbying, etc.!**



Earlier, I learned about

\* our unsustainable form of industrialization as a founder of New York's Citizens for Clean Air in 1964, and

\* why our national model of progress, GNP, needed correction.

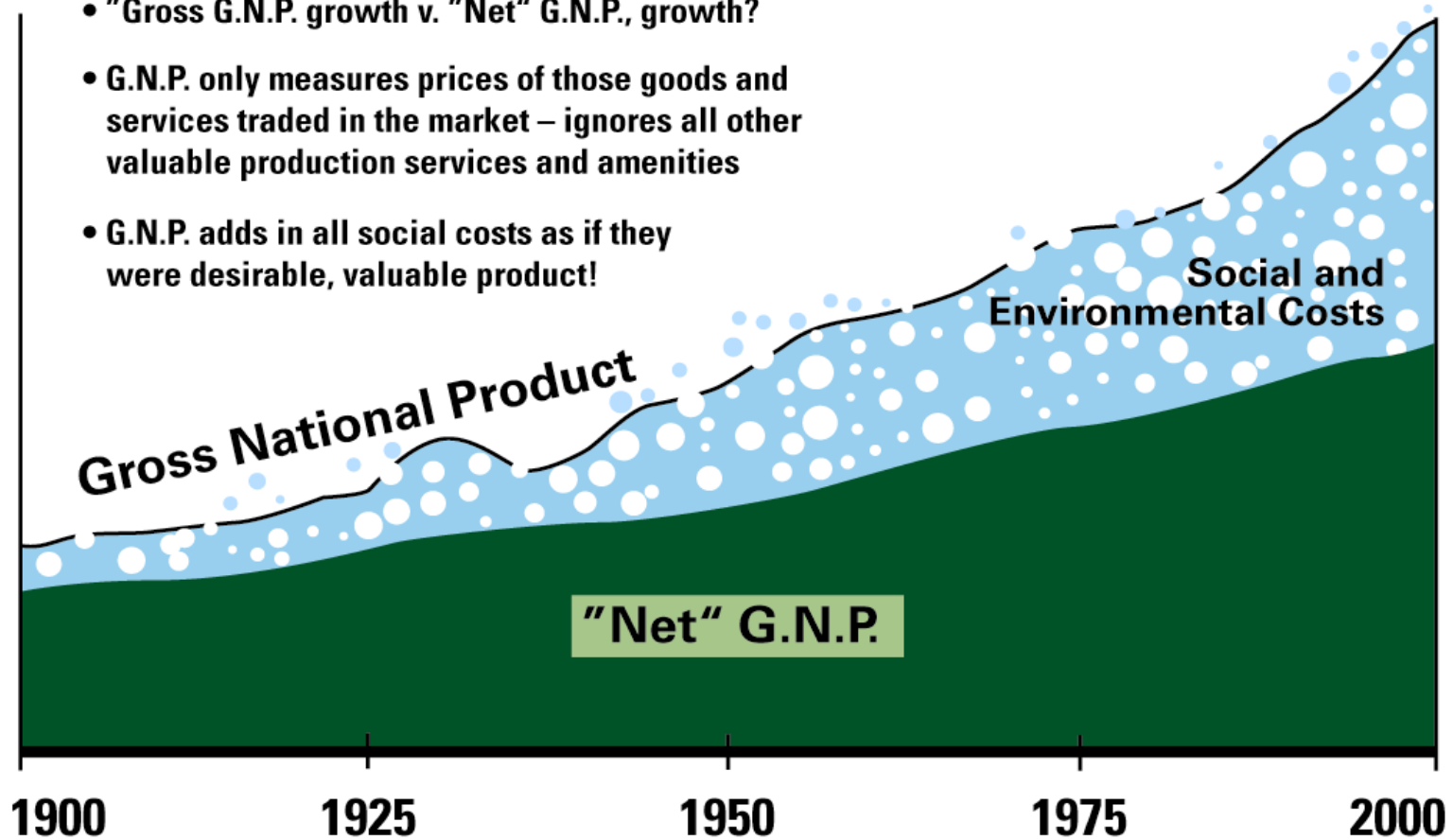


**We took Senator Robert Kennedy on a helicopter ride to witness the source of New York's air pollution and why GNP was the wrong scorecard. Kennedy's famous speech at the University of Kansas in 1967 launched the debate in the USA.**



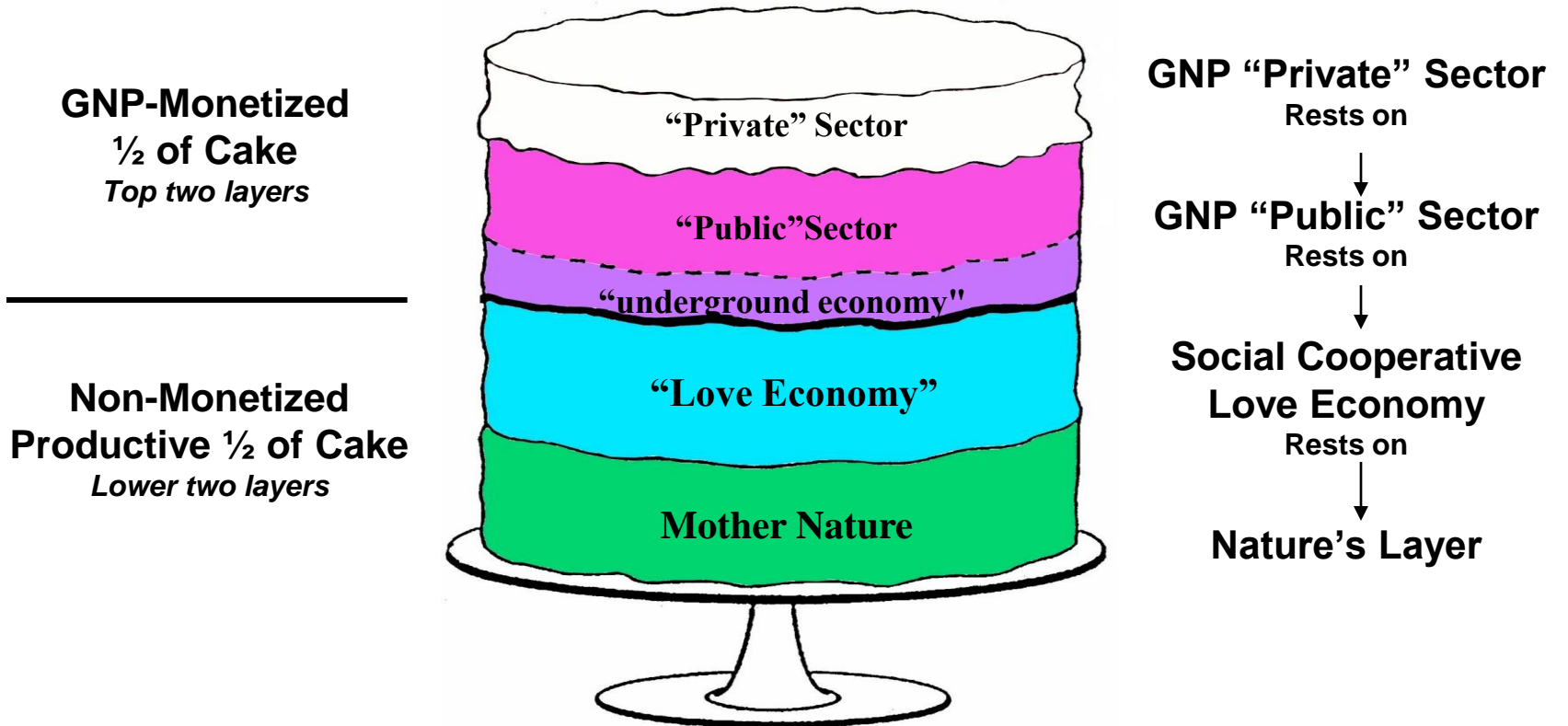
# Gross National Product Problems

- "Gross G.N.P. growth v. "Net" G.N.P., growth?"
- G.N.P. only measures prices of those goods and services traded in the market – ignores all other valuable production services and amenities
- G.N.P. adds in all social costs as if they were desirable, valuable product!





# Total Productive System of an Industrial Society (Layer Cake With Icing)





# EFFORTS TO REFORM UNSNA

- UNSNA globalized GNP
- Challenged by Developing Countries
- G-15 Challenge to the South
- Venezuela Toward a New Way to Measure Development
- UNDP launched HDI
- Earth Summit in Rio -- Agenda 21's Article 40 signed by 170 nations to correct their GDP national accounts
- Canada: RTEE, IISD, CIW, CESI
  - Conserver Society (1975)



# Socially Responsible Investment Movement

## 1970-1980s

- Calvert, Pax World Mutual Funds
- Ridiculed by economists, security analysts and financial press: Milton Friedman's model
- Asset evaluation models: Efficient Markets Hypothesis, MPT, CAPM, Black-Scholes Options Pricing Models
- Financial engineering
- Quants: Value at Risk (VAR)
- BIS: Basel II



## INTERPLAY between Micro- and Macro-Economic Models

- Corporate capture of tax, regulation
- Wall St. analysts, media focus on GDP growth
- Company earnings/profits quarterly growth
- CEOs start managing for short-term returns
- Creative accounting to boost stock prices
- By 1990s, financial engineering and IT took control: program trading, derivatives, ETFs, algorithms, short-selling
- Financial sectors in USA and UK ballooned to over 20% of GDP





# Success of SRI Investing and CSR Sustainability in Companies

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- Total assets under SRI management over **\$2 trillion** in the US alone
- 2000 UN Global Compact (5600 companies)
- Role of CALVERT
- UN Principles of Responsible Investment (**\$19 trillion**)
- Carbon Disclosure Project (**\$64 trillion**)
- CERES (**\$3 trillion**)



# Asset Managers' Wars

- Triple bottom line, ESG asset valuation
- Role of subsidies (IISD)
- Still competing with dominant EMH models (even portfolio managers of public pension and charitable funds).
- Institutional trustees' timidity
- Need to **RETRAIN** or **FIRE** asset managers!



# Need for Multi-Level Accounting Reforms

- Calvert and all SRI funds bumping up against GDP-growth model (another "glass ceiling")
- 1995 CALVERT and Henderson directed research on systems model of US national trends, outcomes-based, beyond macro-economic method; 12 indicators of quality of life – un-bundled for public transparency and education
- City and Community Indicators
- 1995 European Parliament "Taking Nature into Account"
- 2000 launched Calvert-Henderson Quality of Life Indicators ([www.calvert-henderson.com](http://www.calvert-henderson.com))



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# CALVERT-HENDERSON QUALITY OF LIFE INDICATORS

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**Presented in  
2000 at  
Canadian  
RTEE!**

**A NEW TOOL FOR ASSESSING NATIONAL TRENDS**

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# Calvert-Henderson Quality of Life Indicators presented world wide

- 2000 RTEE, Toronto
- 2001 Parliament of Latin America -- Caracas, Venezuela
- 2001 InterAmerican Development Bank Annual Meeting -- Santiago, Chile
- 2003 ICONS -- Curitiba, Brazil
- 2004 launched Ethical Markets Media (USA and Brazil)
- 2005 Social Summit 10 -- Geneva
- 2007 European Parliament "Beyond GDP"
- 2010 Time Magazine "Is GDP an Obsolete Measure of Progress?"



## Forcing Internalizing of Social and Environmental Costs

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- **1970s Council on Economic Priorities**
- **1980s NGO Campaigns:**

TOES	Greenpeace
IISD	Focus on the Global South
WWF	New Economics Foundation
CHIPKO	
- **1990s Turned into new enterprises:**

INNOVEST	KLD
Sustainability	Accountability
TRUCost	Global Reporting Initiative
Ecological Footprint	Ecologic
- **2000s UN Report -- \$2.2 trillion annually (TRUCost)**
  - TEEB
  - Stern Report for UN-IPCC
  - Natural Value Initiative
  - Ecosystem Services Benchmark (six investment firms)



# Stage Set for Climate Prosperity!

- Obsolete **ECONOMICS** revealed!
- Old business models relied on profits from "**EXTERNALITIES**"!
- Perverse subsidies (G-20)
- Finance perpetuated blindness to externalities – not "Black Swans"!
- From "**COSTS**" to "**AVOIDED COSTS**" and **SOCIAL BENEFITS**
- 2008 → Green Jobs, Green Growth, "Technological Leapfrog", Green New Deal, Global Marshall Plan



# 2009 Climate Prosperity Alliance

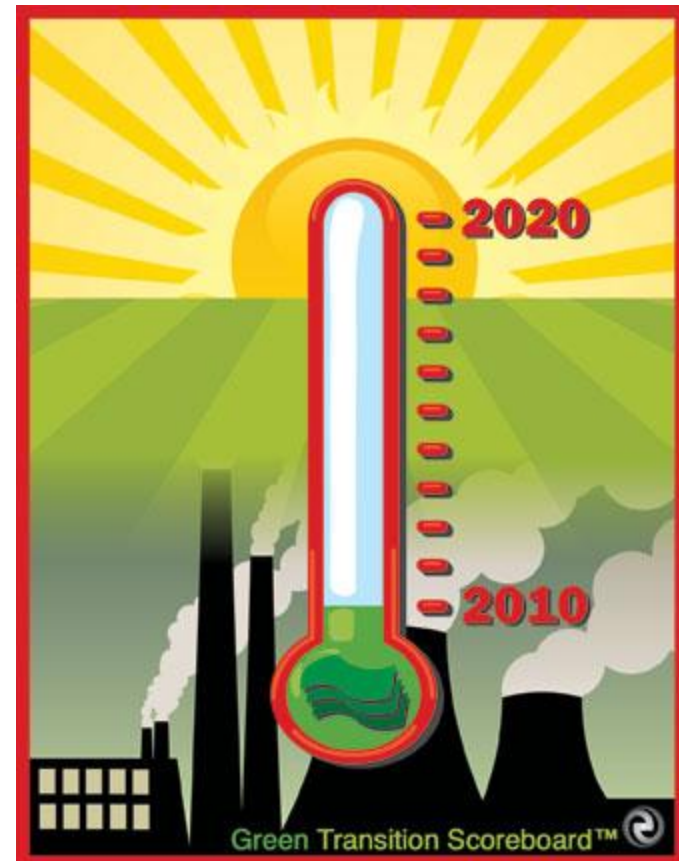
- Copenhagen WIN-WINS missed:
  - Global Floor Price for Carbon
  - Ramp-up of Investment in Green Transition
  - Removing subsidies
  - Climate Solutions 2 Computer model
    - \$10 trillion over 10 years
- Time is scarce – Not Money!





# Green Transition Scoreboard™

\$1.248 trillion in  
private investments in  
growing a cleaner,  
greener economy  
worldwide



December 2009 findings from Ethical Markets ([www.ethicalmarkets.com](http://www.ethicalmarkets.com)) for the Climate Prosperity Alliance ([www.climateprosperity.com](http://www.climateprosperity.com))



# Thank You

**Hazel Henderson**  
**ETHICAL**   
**MARKETS**



**Growing the  
Green Economy**

WITH SIMRAN SETHI • FOREWORD BY HUNTER LOVINS

Based on the Acclaimed Public Television Series

Now the win-win approach for:

- \* the economy
- \* jobs
- \* the environment
- \* society
- \* climate protection

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