



T20 Policy Brief

Task Force 06

STRENGTHENING MULTILATERALISM AND GLOBAL GOVERNANCE

Measuring Prosperity Inclusively and Sustainably

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Abstract

This Policy Brief advocates a thorough shift for the G20 from reliance on GDP as an economic yardstick of national performance and conventional measures of corporate profits as a basis of business performance. It proposes a consistent ethical approach to measurement of national and business performance that combines social prosperity and environmental sustainability into both.

The SAGE (Solidarity, Agency, material Gain, and Environmental performance) provides an ethical context of prosperity's multidimensionality. It creates a system for ethical measurement at national and corporate levels and equips policymakers and business practitioners with the tools to confront collective G20 challenges. SAGE can be measured both as flows and stocks, the latter being an extension of the comprehensive wealth framework.

We propose establishing International, National, and Corporate Accounting (INCA) standards that ensure stable and ethical prosperity evaluation across G20 states and businesses. The SAGE dashboard assesses national and business impacts on individuals, societies, and the natural world, which neither GDP nor business profits on their own can do.



Diagnosis of the Issue

The inadequacy of current economic and corporate frameworks for the measurement of progress is widely acknowledged. The standard metrics neither help G20 policymakers address collective action challenges, nor are they ethical and inclusive. The momentum to measure ‘Beyond GDP’ in order to reflect societal values in national and corporate accounting offers an opportunity to develop a framework that is consistent across countries and over time. Such a framework can align objectives and incentives of policymakers, businesses and other stakeholders toward the common good.

A common minimum agenda for such a framework emerges from the recognition that, in addition to GDP as a measure of economic performance, social and environmental performance need to be measured with the same frequency and consistency as GDP. While considerable progress has been made in measuring environmental performance, much work remains to be done in measuring social performance consistently across countries and businesses. Raw data on the measurement of social prosperity is available, under two broad categories: solidarity and agency.

On this account, it is possible to identify four central pillars of human flourishing that can be measured consistently across the economic and business divide: (1) Solidarity (S) measures social embeddedness: the sense of belonging and affiliation that is essential for people to mobilize their collective capacities to address their collective challenges. Agency (A) measures empowerment: an individual’s capacity to shape one’s environment through one’s own efforts and to contribute to the fortunes of one’s social groups. Material Gain (G) measures the goods and services that serve to support healthy, secure and comfortable lives. Environmental sustainability (E) measures not only environmental services, but also the sense of belonging within the natural world that is essential for the



maintenance of sufficient environmental services for all living things. This framework may be termed the SAGE approach to the consistent measurement of prosperity.

The time is ripe to forge a consensus on a new internationally-consistent measurement framework. A G20 initiative now could take advantage of the current process of revising the official UN System of National Accounts to produce the forthcoming SNA25 standard, and of other international initiatives such as the summer 2024 World Bank Wealth of Nations report or recent UNEP comprehensive wealth measures.

The likely changes in official statistics in 2025 map well into the SAGE framework discussed below. They will significantly help embed considerations of sustainability in statistical measurement. The direction of reform of official statistics is drawing on the theory of comprehensive wealth, a conceptual balance sheet for the economy extending to non-market assets. Comprehensive wealth measures show when and to what extent current consumption is occurring at the expense of future possibilities.

This work is most advanced for the measurement of natural capital, which some agencies such as the UK's Office for National Statistics have been measuring for a decade, and others (including the US Bureau of Economic Analysis) are now beginning to measure. This builds on the UN's System of Environmental Economic Accounting. Such statistics paint a consistent picture of declining natural capital, and hence environmentally unsustainable current growth.

Other categories of assets in comprehensive wealth are physical capital, human capital and social capital. These correspond to the categories of the flows measured by the SAGE dashboard. The SNA2025 changes are an important step in aligning official statistics with meaningful Beyond GDP measurement, but only a first step. The official approach will continue to emphasise exchange values (which are poor measures of value for non-market goods such as environmental goods or public infrastructure), and will exclude some vital



global public goods such as healthy oceans.

There are several international initiatives in progress to extend corporate reporting beyond traditional financial factors. The International Sustainability Standards Board (ISSB) of the International Financial Reporting Standards (IFRS) foundation has issued its first two global sustainability-related financial disclosure standards. The Securities and Exchange Commission (SEC) in the USA has adopted rules to standardize climate-related disclosures. The State of California is introducing legislation requiring certain companies doing business in California to report on their greenhouse gas emissions, their climate related financial risks, and statements regarding net zero and carbon neutral goals.

The European Union has introduced a Corporate Sustainability Reporting Directive (CSRD), which requires companies to disclose their social and environmental impact. The Corporate Sustainability Due Diligence Directive (CSDDD) creates a legal liability for environmental and human rights violations within companies supply chains. The Sustainable Finance Disclosure Regulation (SFDR) requires investment funds to be classified by whether they incorporate sustainability related risks in their investment decisions, promote environmental or social characteristics, or have a positive impact on society or the environment.

These are very significant developments in the required reporting and behaviour by some, predominantly large, companies operating in the relevant jurisdictions. However, there are considerable differences in approach being taken by the different authorities, and significant limitations in the extent to which they ensure an alignment of financial incentives of businesses and investors with their impacts on society and the environment. In other words, they lack the coherence, comparability and consistency that is needed to ensure that they meet the needs of countries, and societies around the world.



Recommendations

Just as the current System of National Accounts provides a scaffolding for other lenses on the economy and society, so too the comprehensive balance sheet-extended system maps into SAGE (Solidarity, Agency, material Gain, and Environment). SAGE provides an appropriate ethical framework of prosperity's multidimensionality. It establishes a comprehensive system for ethical measurement at national and corporate levels, and it equips policymakers and business practitioners with the tools they require to confront collective G20 challenges effectively. SAGE can be measured both as flows and stocks, the latter being an extension of the comprehensive wealth framework.

The elements of SAGE may be understood in terms of (i) human capacities (pro-sociality, niche construction, sustenance and environmental regeneration, respectively), (ii) human needs (belonging, empowerment, consumption and environmental sustainability, respectively) and (iii) moral values (care, liberty, utility and environmental stewardship, respectively). The reason why capabilities, needs and values can be joined together is that the evolutionary success of humanity has depended significantly on human needs motivating the mobilization of human capabilities, under the guidance of moral values that induce people to cooperate beyond the bounds of enlightened self-interest to address their collective challenges. These are the senses in which SAGE captures drivers of human flourishing, since flourishing requires the satisfaction of fundamental human needs through the exercise of fundamental human capacities when living in accord with one's appropriate moral values.

Humanity's feats of coordination have permitted humans to inhabit most parts of the world and build environments that suit them. These feats would have been impossible without the prosocial cooperation arising from bonds of solidarity, the collective efforts



and innovation stemming from agency, the goods and services required for material sufficiency, and the respect for the natural environment manifested in many human cultures (and often tragically forgotten under the influence of extractive capitalism).

The elements of SAGE are measured as flows. The corresponding stocks are capabilities, social capital, physical and human capital, and natural capital, respectively. As noted, these stocks may be understood as a development of the comprehensive wealth framework. Both the flows and stocks are necessary for an assessment of human flourishing, as the stocks are the potential enablers of the flows.

Whereas GDP and its extensions (G) and environmental performance (E) can be assessed through exclusively objective measures, social prosperity needs to be assessed through both objective and subjective measures. This means that whereas international organisations can oversee the development of G and E, the development of S and A – recognising the need to avoid biases and remain comparable across countries and businesses – can be guided by national and cultural norms and values.

The main metrics for measuring progress – such as hedonic wellbeing, life satisfaction and eudemonic wellbeing – may all be subsumed in the SAGE framework, which thereby provides a convenient instrument for translating the diverse existing metrics into one another and thereby providing a basis for consistent measurement of progress across the international, national, and business domains. They are also thereby potentially able to provide consistent measures of government policy impact and business impact in the economic, social and environmental domains. Beyond measurement, the SAGE framework can be linked to the accounting, reporting and monitoring frameworks that are currently being developed by governments, international organisations and business organisations in many parts of the world to help guide decisions in consonance with human flourishing.



A critical aspect of the adoption of a new economic framework is the alignment of material and financial gain with the promotion of human and ecological flourishing. (Mayer (2024) Without this, material considerations are in conflict with broader human, social and environmental interests. This requires a reconsideration of the nature of both business profits and national income. At present both derive from the creation of detriments as well as benefits for society and the natural world. This is evidenced by the increasing levels of environmental degradation, biodiversity loss, inequality, social exclusion and mistrust that have been associated with the growth of both GDP and corporate profits.

We are therefore failing to account for the true costs associated with economic activity at a national and corporate level. National income derives from activities that emit global warming gases into the atmosphere and those that capture them. It is reflected in products that are a source of obesity and diabetes around the world and those that are used to treat them. Likewise, companies report profits from fossil fuel extraction that emits CO₂ and the production of fast foods that are a cause of obesity and diabetes. We are at present not providing a basis for reflecting human and ecological flourishing in measures of performance at a global, national or corporate level. This seriously undermines attempts to address environmental and social failures by encompassing a broader range of considerations. At the heart of the problem are measured costs of economic and corporate activities that do not reflect the true costs which account for expenditures required to avoid imposing detriments on others. An illustration of this is the notion of restoration cost in natural national and corporate accounting that measures the costs of restoring the state of natural capital to a level at which it can regenerate and sustain itself. (Mayer (2024), Chapter 7).

The merit of this is that it involves nothing more than traditional corporate and national



cost accounting without the need to make often highly subjective estimates of monetary value which make strong assumptions about the comparability of incommensurable measures. (Barby et al (2021) Instead, the components of SAGE are measured in their own terms, and GDP and corporate profits are adjusted to avoid deteriorations in the different components.

What SAGE does is to provide a framework within which material and financial gain can be aligned with human and ecological flourishing. Through measuring the degree to which different activities and policies are associated with positive and negative contributions to solidarity, agency and environment, it establishes a means for assessing the extent to which material gain is coming at the expense of other components of flourishing. This can be done at a global or national macroeconomic level and also at a microeconomic corporate and organizational level. In each case what is required is not the monetary values which go into comprehensive wealth but just quantitative or qualitative indicators of the extent to which there are positive or negative impacts on solidarity, agency and environment. This provides the basis for determining the responses required to avoid or correct negative impacts and the costs of doing this. It therefore establishes an immediate indication of the extent to which GDP and profits are overstated because of the detriments that activities are imposing on other parties.

At the corporate level, this is closely associated with the work that is currently in progress to develop international standards of sustainability related risks arising from environmental and social impacts of corporate activities, for example as proposed by the International Sustainability Standards Board (ISSB) mentioned above. These provide a basis for determining the extent to which companies are profiting from imposing environmental and social detriments. Together with the SAGE framework, they allow for measures of true costs of companies.



We therefore propose establishing International, National, and Corporate Accounting (INCA) standards that ensure consistent and ethical prosperity evaluation across G20 states and businesses. The underlying SAGE dashboard evaluates national and business impacts on individuals, societies, and the natural world which neither GDP nor business profits on their own can do.

It also allows for adjustments to be made to both conventional GDP and corporate profits to ensure that material gain is consistent with avoidance of detriments to society and the environment. This is achieved by incurring the costs of avoiding or mitigating detriments to individuals, society and the environment and incorporating these true costs in reported measures of both GDP and corporate profits.

This then allows financial and material incentives reflected in measured GDP and profits to be aligned with SAGE objectives. By so doing a comprehensive system of national and corporate accounting is achieved that incorporates wider individual, societal, and environmental considerations, an alignment of these with financial and material goals, and a consistency of accounting at national, international, and corporate levels.

It is important to note that as well as embedding sustainability, INCA is explicitly an ethical framework, therefore embedding a conception of the common good in terms of shared collective values. (Mayer and Snower (2023)). Conventional accounting frameworks are often discussed and defended as if they are objective metrics, and therefore in some sense neutral. This is misleading. Although physical measures – such as volume of CO2 emitted or number of cars produced – are objective, the moment they are valued in a set of accounts they incorporate a normative perspective. Market prices are not neutral. They incorporate power relations, monopoly rents, omission of externalities, and strong assumptions about individuals' preferences (such as the assumption that food and Teslas are substitutes for each other). The normative stance of



GDP is hidden. Measuring progress is an inherently ethical exercise, and this should be explicit, as it is in the proposed INCA framework.

Scenario of Outcomes

Over more than the past decade, the agenda of the G20 has expanded well beyond its traditional economic and financial concerns. Nowadays its agenda covers climate change, biodiversity loss, migration, inequalities, cybersecurity, food and energy security, social implications of AI and much more. There is widespread recognition that the efficacy of its policy guidelines depends crucially on their social acceptability. Consequently, it has become necessary for the G20 to rely on measures of progress that extend well beyond economic and financial success to include social and environmental success as well. What has been lacking, however, is consistency in the evaluation of its policies.

The proposed measurement initiative aims to provide such consistency. Current metrics of progress focus on GDP, making it difficult to reconcile the diverse interests of G20 member states. With consistent measurement of progress in the economic, social and environmental domains, there is greater latitude for creating win-win scenarios in G20 policymaking, since lack of progress in the economic domain for some countries may be outweighed by progress in their environmental and social domains.

It is widely recognised that government policies need to leverage private sector responses in order to achieve success in most areas of the G20 agenda. On this account, consistency in the measurement of progress across the national and business activities, along the lines proposed, becomes an important support for G20 policymaking.

G20 leaders should engage actively with the national and corporate accounting reform debates currently under way, promoting domestic engagement with the emerging INCA



framework. G20 leaders should commit to adopting new measures as quickly as possible, and using them (in place of GDP) to guide policy decisions. Technical leaders of both sets of processes should be asked to explain how their proposals satisfy the imperatives for ethical and inclusive measures that will enable humanity to meet its collective action challenges.



References

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