

# Green Accounting & GDP

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“Prosperity consists in our ability to flourish as human beings --- within the ecological limits of a finite planet. The challenge for our society is to create the conditions under which this is possible...” says UK Economist Tim Jackson.

Our traditional System of National Accounts (SNA), which gives us the measures of GDP, GNP (performance indicators) does not take into account the value of natural resources that are used in the production processes as well as the impact of all the sectors of the economy on environmental degradation; therefore this system gives us and the policy makers a false impression of the wealth, income and performance of a nation. Hence, green accounting is a much desired system which asks for the incorporation of these missing tenets relating to the environment so as to achieve sustainable development in the economy.

1993 onwards, the UN has developed a framework to incorporate green accounting into traditional SNA and the improvisation process continues. For supporting the development of environmental accounts, the UN, European Commission, International Monetary Fund, OECD, and the World Bank issued a handbook in 2003 referred to as the System of Environmental and Economic Accounts (SEEA-2003). There have been two main approaches to green accounting, the first being a method to create separate or ‘satellite’ accounts that would take care of the valuation of natural resources present, used and depleted, but

this account is only linked to and not integrated with the traditional SNA. The latter method talks about completely modifying the traditional SNA and incorporating environmental accounts into it.

In early 1990, The United Nations Statistical Division (UNSD) proposed a new accounting framework referred to as the Integrated System of Environmental and Economic Accounts (IEEA) which integrates environmental accounts into the traditional SNA. The IEEA has led to the conceptualization of green indicators such as the Eco-Domestic Product (EDP) – an environmentally adjusted measure of GDP, instead of traditional performance indicators such as the GDP and GNP which did not have any environmental considerations for an economy. In the long run, the IEEA and green indicators will develop and finally take over the traditional SNA and allow each economy to indulge in an all-inclusive growth that would pave the path for sustainable development and hence secure our future.

Despite the fact the countries such as India face great difficulty in implementing such a concept, as measurement of environmental depletion and valuation of aggregate natural resources is not quite feasible and involves large costs, India’s progress in developing such a framework has been commendable. Better accounting should be characterized by environmental considerations and green accounting is the key towards a green economy. Green accounting if executed properly can give us a totally different story about India’s GDP which was worth 1847.98 billion \$ in 2011.

## Recommendations

- Proper segregation of environmental data based on its use

in different administrative units and keeping them updated.

- Accounting dexterity is required to get rid of the problem of double counting in the environmental accounts.
- Effective primary surveys and authentic company documents should be checked to get accurate values of environmental data.
- Delegating and segregating work to groups of economists and accountants with target deadlines for better results.
- Implementation of Government policies so as to promote Green Accounting and its awareness.
- Strict legal policies for companies so that they inculcate green accounts in their company accounts.
- Government should fund a pool of research work on Green Accounting that will add to the resources for faster implementation of this technique.
- Economies should set and work towards target deadlines for full fledged Green Accounting.

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## Mitigation of Climate Change: A Game Theoretical Approach

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As the world progresses in the wake of the most happening century in human civilization, suddenly, the earth seems too small a place to hold too many a people – billions of them, who are, as a whole, economically driven to improve the standard of their lives in the material sense of the word. To establish a fundamental point, climate change caused by global warming is not a temporary phenomenon or a passing phase, part of the natural fluctuations of the earth's climatic conditions over time. Kaya's identity directly implies that a more populous