

Session Number: Session 4C
Time: Tuesday, 26 August 2008, PM

*Paper Prepared for the 30th General Conference of
The International Association for Research in Income and Wealth*

Portoroz, Slovenia, August 24-30, 2008

The Gross Consolidated Product (GCP), an alternative social product consolidating government and household consumption with intermediate consumption.

Potential application to setting greenhouse gas (GHG) intensity targets

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Abstract

The GDP concept is built upon the distinction between intermediate and final consumption. This distinction is arbitrary and not in line with economic reality. This article defines an aggregate social product called Gross Consolidated Product (GCP), which consolidates general government and household consumption with intermediate consumption. GCP applies the capital approach of sustainable development and is the concretization of the Hicksian definition of sustainable income. It is quantitatively considerably smaller than GDP, because it subtracts inter alia the total cost of households for producing labour. At a global level it equals gross capital formation for all types of capital, distinct from its homonymous SNA term, notably by including also the formation of human capital, which it attaches to households. For homogeneity reasons, GCP at national level equals gross capital formation plus the current account balance. At agents' level, GCP can be called gross capital added in analogy to gross value added that corresponds to GDP. The paper shows how GCP could be applied to climate policy for taking into account the level of sustainable development when setting national GHG-targets. Such targets would take the form of CO₂-intensities, more precisely, of CO₂ / GCP ratios. These reflect the idea that the higher the sustainable income of a country, the higher could be its CO₂ quota.