

1.2 Measuring intergenerational fairness: A conceptual framework and results of the NextGen Value Creation Barometer

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

Brundtland, G. (1987). Report of the World Commission on Environment and Development: Our Common Future. United Nations General Assembly document A/42/427.

The conceptual anchor of sustainability is the next generation. Our common understanding of sustainability expresses a fundamental human desire: to leave those that come after us a better world than we inherited. This is the basis for human development and progress. It is also the logic that informs various strands of ethics and science, or institutions like the family and the state. The idea of a “generational contract” captures the principle that generations depend on each other to provide mutual support across different stages of their lives and that those currently alive have a responsibility to future generations.

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At the heart of the generational contract is the powerful idea of intergenerational fairness, originally framed in *Our Common Future*, published in 1987, and quoted above. More than three decades later, at the 76th session of the United Nations General Assembly in 2021, UN Secretary General António Guterres warned governments of a growing intergenerational divide. Young people, he said, will “inherit the consequences—good and bad” of decisions made by today’s leaders in politics and business. This lack of future-oriented decision-making equally concerns future generations—the more than 10 billion people that are projected to be alive by the end of the century, compared to the 7.7 billion people alive today.

As those currently alive, we have inherited a world that previous generations have built. Most of what we cherish today—our knowledge, infrastructure, institutions, and values—are the consequences of the efforts of our forebears. The development of educational systems, the institutions that secure peace, and technological advances that have enhanced living standards are the equivalent of planting a tree that will bear fruit when we are no longer here. This is the essence of Sustainable Value Creation. The moment a given generation stops providing for, and instead takes away from the next, the course of history shifts into reverse. Today’s generation is also planting trees, but both literally and metaphorically more trees than ever are being felled. That is, value is being both created for and extracted from future generations.

Therefore, the St.Gallen Symposium—the world’s most long-standing and relevant platform for cross-generational dialogue—is partnering with the Club of Rome to launch a joint initiative in May 2022. ‘A New Generational Contract’ will foster dialogue and impactful actions that elevate concerns for intergenerational fairness and place them firmly at the center of the decisions that we take today.



A framework for cross-generational awareness and action

Dialogue and action that is focused on the next generation is most impactful when guided by a conceptual framework and benchmarked by measurements. The Elite Quality Index (EQx), an international comparative measurement of Sustainable Value Creation, provides both of these elements. The EQx assumes that elite business models shape institutional change and that if such models are based on value creation, they support economic and human development. Elites who run Sustainable Value Creation business models can have a positive impact on future generations. However, some elite business models are based on rent seeking and extraction from various sub-sectors of society. Moreover, such extractive business models may also be based on transfers of value away from the next (future) generation to the present one.

The NextGen Value Creation Barometer has been jointly designed by the St.Gallen Symposium and the EQx team to provide insights on key dimensions of intergenerational fairness and how the value creation business models of different countries compare in this regard. The Barometer uses five equally weighted categories, comprising a total of 20 component Indicators (out of the 120 Indicators included in the full EQx), as measurements to highlight intergenerational relationships, both in terms of value creation and extractive transfers. The categories selected build on a literature review of intergenerational equity, as well as a global, cross-generational survey that asked respondents to rank the importance of key intergenerational issues.

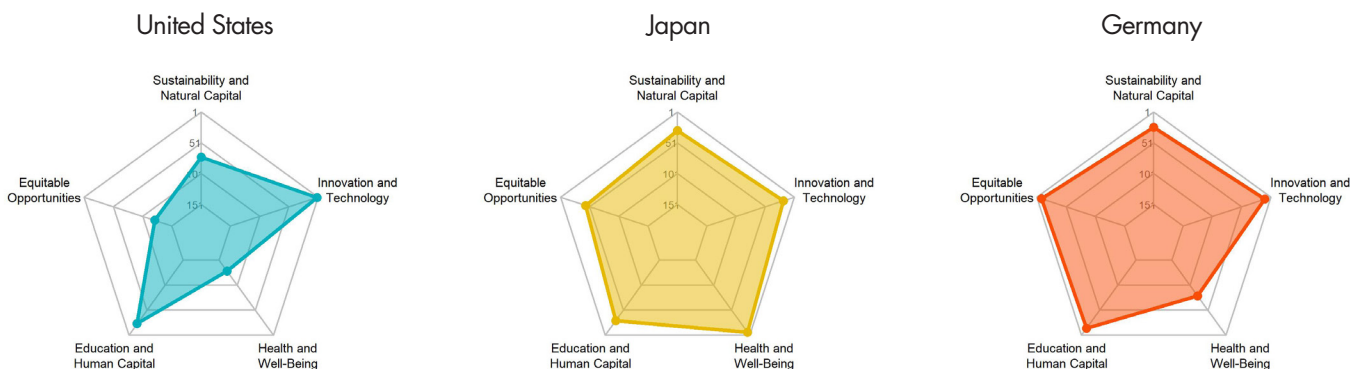
The first category, Sustainability and Natural Capital, focuses on the extent to which dominant elite business models deplete or preserve natural resources and ecosystems for future generations. The second category, Equitable Op-

portunities, measures the distribution of economic opportunities across generations, focusing on factors such as social mobility, youth unemployment and government debt. The third category, Education and Human Capital, stresses the importance of the present generation's value creation for the next, in terms of investments in—and inclusive access to—high-quality learning and education. The fourth category, Health and Well-Being, measures the quality and key outcomes of national health care systems, while the fifth category, Innovation and Technology, explores the capacity provided to the next generation to drive scientific discovery and develop disruptive business models.

Through the NextGen Value Creation Barometer, the Foundation for Value Creation and the EQx team have partnered with the St.Gallen Symposium to foster greater intergenerational fairness and leadership “with the next generation in mind”. The Barometer is a unique global assessment in terms of its framework, measurements, and implications. Its findings will help to raise awareness among stakeholders in business, policy, academia and civil society—as well as the general public—on the need for greater intergenerational equity, while encouraging ambitious actions to launch value creation business models with the next generation in mind. At the same time, it will also identify business models that are based on value transfers away from future generations, such as those that allow environmental degradation or result in long-term debt. Given that many intergenerational challenges are deeply embedded in the fabric of the political economy, the findings should inform policy initiatives as well as the transformation of elite business models towards more Sustainable Value Creation.

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Visual 1.1: NextGen Value Creation Barometer 2022 country comparison



NextGen Value Creation Barometer key findings

The complete NextGen Value Creation Barometer rankings by country are presented in Table 2. Some of the results, such as the following highlights, might be surprising;






- First, the NextGen Value Creation Barometer rankings differ from those of the complete EQx. That is, the intergenerational value relationship is a distinct social phenomenon warranting discrete attention, research, and action.
- The top 14 countries in the ranking are diverse but generally small nations—with the exception of the UK (rank # 7) and Australia (rank # 9). This begs the question of why smaller political economies appear to care more about the future generation than large economies.
- Sweden (for Europe), New Zealand (for the Pacific), Israel (for the MENA region), Singapore (for Asia), Canada (for North America), Niger (for Sub-Saharan Africa) and Chile (for South America) are the regional champions of the NextGen Value Creation Barometer and offer important lessons for their neighbors.
- The US (rank # 29) scores much lower than expected and considerably worse than in the full EQx (rank # 15). Despite the fact that its advanced technologies and innovation system creates enormous amounts of value, the overall focus of elites in the world’s largest economy seems to be on the present, not

the future, with a high level of government debt, low levels of social mobility, and unequal access to health care.

- Many highly ranked countries do well in most areas, but this is not true across the board. For instance, many score poorly for Health and Well-Being because of high rates of suicide and substance abuse that disproportionately affect the young. As an illustration, although Sweden leads the overall NextGen Value Creation Barometer, its Health ranking is # 58; for Switzerland, the respective outcomes are # 4 and # 40; and for the US, # 29 and # 129. The inheritance left for the next generation is multidimensional, and even countries scoring highly must continue to address all of the extractive aspects of their relationship with future generations.
- The NextGen Value Creation Barometer offers a comprehensive view of the intergenerational relationship, highlighting what works and what doesn’t. For instance, Belgium (rank # 14) does very well in Education and Human Capital (rank # 2) and in Sustainability and Natural Capital (rank # 1). Yet, it scores dismally in terms of Equitable Opportunities (rank # 107). The conceptual framework supports a refined interpretation of the results and the design of actionable projects.

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Visual 1.3: NextGen Value Creation Barometer, 5 categories and 20 component Indicators.

 Sustainability and Natural Capital	 Equitable Opportunities	 Education and Human Capital	 Health and Well-Being	 Innovation and Technology
iii.9_EPI Environmental Performance Index	iv.11_DOI Inflation	iii.7_EDU School life expectancy	iii.7_LEW Life expectancy women	iii.7_INT Internet access
iii.9_CDO CO2 emissions (metric tons per capita)	iii.9_DBT Government debt as % of GDP	iii.7_UNV Top universities	iii.7_LEM Life expectancy men	ii.6_ENT Entrepreneurship
	iv.12_YUN Youth unemployment rate	iii.7_PIS PISA mean score	iii.8_SUI Suicide rate per 100,000 people	ii.6_RND R&D as a % of GDP
	i.1_MOD Social mobility (downward)	i.3_AFI Academic Freedom Index	iii.8_SUB Death rates from substance use per 100,000 people	ii.6_VCK Venture capital finance
	i.1_MOB Social mobility (upward)		iv.10_HEI Health Efficiency Index	