



**BRAINPOOL**  
Bringing alternative indicators into policy

# The BRAINPOOL Project:

**Beyond GDP – From Measurement to Politics and Policy**

**March 2014**



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# Executive summary

It is now widely recognised that the objectives that have dominated economic policy for the last 40 years and more – maximising Gross Domestic Product (GDP) and market efficiency – are no longer adequate goals for society. There is now a broad coalition that recognises that economic growth alone cannot deliver sustainability, social justice and improved well-being. Institutions such as Eurostat, the OECD, the World Bank, National Statistical Offices (NSOs) and others are responding to the desire from governments and civil society to consider a more nuanced set of economic policy objectives. At the same time non-governmental actors are using alternative ‘Beyond GDP’ indicators as an advocacy tool to promote more radical societal change including greater equality, higher levels of well-being for all and a vision of progress that is consistent with long-term environmental sustainability.

The BRAINPOoL project’s activities have been directed at making sense of the array of actors, aims, indicators and initiatives that have emerged from these efforts with a focus on exploring the barriers to the use of Beyond GDP indicators in policy making and how these can be overcome. Our work has moved from rather classical research towards more innovative brokerage activities and finally the co-development of what could be called ‘policy strategy’ with some of the actors we engaged with.

One of our early findings was that there was considerable confusion about what ‘Beyond GDP’ really means. We found it necessary to underline that ‘Beyond GDP’ does not simply mean the limited additional use of environmental and social indicators, since of course these are already used in environmental and social policy making. The fundamental problem remains that in the negotiation of trade-offs between economic, environmental and social policy objectives, it is economic objectives that still trump others. For a variety of reasons there is a bias in policy making towards prioritising GDP growth and efficient markets. It is precisely to correct this bias that we need new indicators. This bias also led us to decide that we needed to define more clearly what we mean by ‘Beyond GDP’ and also its ‘use in policy making’.

We therefore defined Beyond GDP indicators as:

*“those indicators and indicator sets that have been proposed as necessary and central to the measurement of societal progress in a broad sense, other than those indicators, such as GDP or the unemployment rate, that are already playing this role.”*

In terms of their use in policy we do not simply mean their use in parallel with traditional economic indicators but as part of an *integrated policy process* that also informs a more holistic approach to economic policy making. If Beyond GDP indicators are to overcome the bias in favour of growth and have the impact necessary to change our policy goals and outcomes, they are going to have to be used in at least some contexts where GDP is currently used, as integrated decision-making tools. This will allow policy makers to target good quality growth (where economic *and* social/environmental indicators show improvement) not bad quality growth (where social/environmental indicators of progress are sacrificed for growth).

The project’s next task was to explore the wide variety of Beyond GDP initiatives, assess the intentions of indicator producers, learn about the impacts that alternative indicators were already having on policy, the media and ‘on the ground’, and (where this was happening) chart the factors that were contributing to this success.

We found that despite their many useful applications in both defining the intermediate objectives of policy (policy drivers) and in measuring ultimate outcomes (e.g. well-being/sustainability), the sheer number and diversity of alternative indicators has made it difficult for their relevance and meaning to be appreciated by decision makers. We therefore suggested a number of ways indicators can be usefully classified to increase clarity and developed our own indicator policy fact sheets to provide basic, comparable and easy to digest information on a range of alternative indicators.

Almost all indicator producers we surveyed primarily want to influence or be useful to policy makers and thus ultimately have a 'real world' impact, although we found a number of other objectives including influencing opinion formers (media, academics) or directly influencing societal change. Beyond these intentions we found that there are a number of different ways that alternative indicators are actually being used, not all of which are entirely legitimate:

- ▶ *Instrumental use*, where indicators are seen as objective information tools to improve policy making, solving problems and consciously influencing decisions.
- ▶ *Conceptual use*, which sees the prime value of the indicator to be more intangible, influencing how policy makers define a problem or provide an instructive perspective.
- ▶ Finally, *political use* which includes three interesting sub-categories. *Strategic use*, where indicators are used to justify or bolster a position or decision which has already been taken (where the indicators that are 'successful' tend to be ones that provide the desired message). *Tactical use* whereby decisions are postponed or avoided with the excuse that data is being awaited but the content of the indicator is actually of little relevance. *Symbolic use* whereby indicators are used only to convey a message or present an image.

We identified several examples of Beyond GDP indicators having traction in policy. For example, the Genuine Progress Indicator (GPI), Index of Sustainable Economic Welfare (ISEW) and the Regional Index on Alternative Quality of Life Indicators (QUARS) were found being integrated into regional or local official assessment frameworks in the US, UK and Italy respectively. Also noteworthy is the Ecological Footprint being used to set environmental impact targets in several national governments.

Actual policy changes connected to indicators were also found. These include (i) the implementation of schemes to improve habitat for farmland birds after changes to the UK Defra Sustainable Development Indicator (SDI) set, and (ii) the investment of \$15 billion by the United Arab Emirates (UAE) government to develop alternative energy sources spurred on by a poor ranking in the Ecological Footprint.

The most significant successes, however, were achieved by local level indicators, perhaps because the distance between producer and user of the indicators is much smaller, making it easier to achieve a better 'fit' while also achieving legitimacy and relevance. For example, the Jacksonville Community Council Indicators (JCCI) are believed to have been instrumental in reducing infant mortality rates, recidivism and water pollution in the area. The Council of Europe's SPIRAL (Societal Progress Indicators and Responsibility for All) project, meanwhile, achieved changes in the delivery of food relief in France and the transformation of the approach to homelessness in Belgium.

It is worth noting, however, that these impacts are largely not 'Beyond GDP' in the sense we have defined it (as measures of progress in the broadest sense) and rather than impacting *economic* policy, the influences are largely on detailed social and environmental policy issues (delivery of public health services or farmland bird protection).

Given the significant variations we found in the uptake and impacts that different Beyond GDP indicators were experiencing, one of the project's key tasks was to explore the different aspects of 'demand' and also the reasons why many Beyond GDP indicators were experiencing a 'lack of demand'. Several types of Beyond GDP demand were identified:

- ▶ *Societal demand for new models*. While we found little evidence of strong 'bottom up' demand for indicators *themselves* (the general public, of course does not think in terms of indicators), what certainly exists in parts of civil society is an appetite for social change and even a transformation of the economic system itself, in part as a response to the impacts of the financial crisis. Many official indicator initiatives can be seen as a technical interpretation of elements of this societal demand. The fact that civil society is impacting the debate at all reveals important progress in a field that was once almost the exclusive preserve of statisticians and economists.

- ▶ *Political demand for new measures.* Demand for Beyond GDP indicators from the political mainstream tends to favour indicators compatible with the status quo or incremental change and are likely to serve a conceptual, assessment or communication role rather than a role in decision making. An increasing political demand was, however, observed for a single, simple, yet multi-dimensional indicator and better environmental indicators. Political demand tends to be strongest at the local and regional levels, due in part to the relative proximity of local leaders and civil society.
- ▶ *Democratic Legitimacy.* We encountered repeated demands for greater democratic participation, particularly in the construction and development phases of Beyond GDP indicators, and for wider public access to statistical information. Debates around Beyond GDP are commonly formulated through very technical debates with the involvement of high-level actors and with poor civil society participation.

Generally we found that the use of Beyond GDP indicators remains weak, both within institutions and in the policy making process. This weak demand can be explained in terms of (i) a lack of belief in the need to move away from GDP and a lack of knowledge of alternatives ('user factors') (ii) the difficulties of moving away from GDP in the current political context ('policy factors') (iii) and concerns about the quality, robustness and neutrality of Beyond GDP indicators themselves ('indicator factors').

While there is a general acknowledgement of some weaknesses and limitations in GDP, even amongst most statisticians and economists, we found that many feel there is nothing new about Beyond GDP indicators. They point out that there are plenty of alternative indicators already available and the problem is primarily with how the media misuses GDP, rather than with the metric itself. Ultimately, even if GDP is not considered a good proxy for welfare it is seen as measuring something so central to the current societal model that it needs to remain in a central place. Accordingly, 'steady-state' (zero-growth) or de-growth models are generally dismissed as unrealistic and incompatible.

If the limits of GDP are only moderately recognised by mainstream actors, a secondary problem is the even poorer knowledge of the alternatives. Aside from the 'Stiglitz Report', Human Development Index and Ecological Footprint, awareness of Beyond GDP indicators and initiatives remains negligible. Moreover, we found a general mistrust of subjective data as well as the suspected ulterior motives and normative assumptions of Beyond GDP alternatives which serve to dampen political demand.

One of GDP's undoubted strengths is that it is published at regular three-monthly intervals, allowing decision makers to use it as a timely policy making tool. In contrast, many alternative indicators are either published irregularly or with too much of a time lag to impact policy cycles. In addition they necessarily incorporate long-term issues (such as sustainability) and long-term trends (changes in well-being) which struggle to attract the attention of politicians or the media focused on short-term political and news cycles.

Alongside these factors identified as negatively influencing the demand for alternative indicators we found several clear drivers of demand. At the political level these include the increasing institutionalisation of Beyond GDP indicators in programmes like National Sustainable Development Strategies such as those in Germany, France and the UK in which indicators have a specific and embedded role. We also found an increasing demand for composite indicators, particularly for assessment purposes, and were able to identify increasingly proactive moves on the part of statisticians and decision makers, actively requesting the supply of specific types of data.

At the societal level, there is now good international evidence to show that the public favours the use of broader indicators that incorporate health, social and environmental statistics. At the same time the emergence of the Beyond GDP agenda has opened up the measurement debate to a much wider set of actors including psychologists, academics, political actors and NGOs among others.

Given the range of drivers and opportunities on the one hand and the persistent reasons for a lack of Beyond GDP demand on the other, the BRAINPOoL project also explored the question of why some

indicators manage to achieve success while others fall short. We could identify a clear set of success factors which include the need for:

- ▶ *Salience for decision makers.* Indicators were successful when they could demonstrate real relevance for policy or strategy, measuring things that can be influenced by policy.
- ▶ *Salience for a broader audience.* Producing a simple, attractive message that links to a meaningful concept while avoiding certain ‘taboo’ words and concepts is key to impacting a broad audience.
- ▶ *Credibility.* While some interviewees continue to express doubts about the lack of variability in the trends of subjective well-being data and the potential for arbitrary weighting in composite indicators, data quality and the appearance of neutrality continue to be the best routes to overcoming resistance and achieving credibility.
- ▶ *Relationships.* The importance of relationship-building including developing indicators in partnership with the audience at whom they are targeted is critical, including in policy where face-to-face channels and active engagement with those least sympathetic to the Beyond GDP agenda (Treasuries, Economics/Finance departments) were cited as vital.

As we have seen, some, but not all, of the activity around alternative indicators is effective at having a ‘real world’ impact, that is, helping policy makers, and those influencing policy makers, crystallise their objectives, assess their performance, and as a result change and improve what they do. So the project also spent time assessing what the key barriers are to using new measures of societal progress in a broad sense to guide policy and how these hurdles can be overcome.

We carried out seven action research case studies, where we worked with governmental bodies across Europe from the city and regional level (Rotterdam, Chrudim in the Czech Republic, the Midi-Pyrenees region in France, and Wales) up to national level government Ministries (The German Environment Ministry and the UK ministry for Business, Innovation and Skills), as well as the OECD. In each case we worked with people within these bodies who were interested in promoting Beyond GDP indicators, and explored the barriers to this taking place, both within and outside the organisations.

We found that although there are a number of technical barriers to do with data quality and lack of adequate resources, these are really only symptoms of low current political priority and of more fundamental underlying barriers:

- ▶ *Political barriers*, including perceived lack of democratic legitimacy, lack of a clear and compelling narrative underpinning new indicators, and lack of clear political imperative for change (due to low public awareness of new indicators).
- ▶ *Indicator barriers*, including disagreements over methodology and a perceived lack of theoretical foundation underpinning new indicators (particularly composite indicators of adjusted GDP).
- ▶ *Process and structural barriers*, including organisational and analytical challenges posed by a more holistic, multi-dimensional view of progress; institutional resistance to change, and a failure of indicator producers to connect with the priorities of potential users.

Based on these findings, we make a number of recommendations, each directed specifically to relevant actors (indicated in brackets) and suggest ideas for future work in these areas:

1. Develop processes to engage citizens and establish the democratic legitimacy of Beyond GDP indicators (political parties, officials, NGOs)
2. Develop a Beyond GDP narrative, and demonstrate the difference that use of Beyond GDP indicators will make to policies and outcomes (political parties, OECD, NGOs)
3. Continue work on the technical and theoretical foundations of alternative indicators, with a particular focus on standard setting and harmonisation, paying attention to the need for



engagement by politicians as well as experts (academics, official statisticians, OECD, international agencies)

4. Improve processes for integrated and innovative policy making (political parties, officials)
5. Develop strategies for overcoming resistance (political parties, NGOs)
6. Strengthen the 'indicator entrepreneur' role (official and unofficial statisticians)

In Annex 1 of this report we then develop two of these recommendations (discussed at BRAINPOoL's Final Conference) which we believe are central to the overall change process, and are actionable:

- ▶ Recommendation 2: Develop a Beyond GDP narrative, and demonstrate the difference that use of Beyond GDP indicators will make; and
- ▶ Recommendation 4: Improve processes for integrated and innovative policy making.

We consider each of these recommendations in turn, through the lens of two specific policy areas: labour markets (illustrating how these issues might apply to well-being) and the green economy (illustrating how these issues might apply to sustainability).

We consider the ways in which Beyond GDP policy in each of these areas might differ from traditional policy and then go on to discuss what it will take to develop an effective narrative that can create support for Beyond GDP. We conclude that:

- ▶ *Beyond GDP has too often been linked to politically weak messages around 'happiness' or 'environmental limits'*, and is seen by policymakers as lacking a theoretical foundation to compete with the strong neoclassical narrative which underpins GDP. These are two pillars of the same problem: proponents of Beyond GDP must articulate a clearer and more compelling alternative story about economic progress and the role of policy in achieving it.
- ▶ In relation to labour market policy, a well-being approach could be framed in terms of *good, secure jobs, greater equality, and decent living standards for all* – emphasising that *we cannot rely on markets and growth to deliver these outcomes*, and that government policy can and should shape them for the better. A well-being approach recognises that our quality of life is about not just consumption but also good work, dignity and good social relations.
- ▶ In relation to the green economy, sustainability approaches could be framed in terms of *quality of life now and in the future, and security for the long-term*.

We then turn to the policy making process, the changes that will be needed to create new policy, once the political will has been established. We consider what is needed for process in general as well as the new analytical tools and structural changes that might be needed to support such changes. We conclude that:

- ▶ There is a need to design processes which *stimulate greater innovation and allow a more diverse range of policy perspectives* and disciplines to be brought to bear. This applies both to labour market and green economy policy. This requires a concerted programme of *organisational change* and of course strong political and official leadership.
- ▶ It will also be necessary to develop *new heuristics*, built out of the diverse perspectives brought to bear, and potentially drawing on new analytical tools. These will not simply provide guidance on how to resolve trade-offs, but will be designed to help think how to change the conditions which make the trade-offs so stark.

Finally we summarise our recommendations and lay out an agenda that covers:

- ▶ The potential popular appeal of a narrative
- ▶ The theoretical basis for a narrative
- ▶ The organisational change programme that will be needed in government
- ▶ The development of new policy heuristics



# 1. Introduction

## The BRAINPOoL project in brief

This report has been produced as part of the BRAINPOoL (Bringing Alternative Indicators into Policy) project and aims to summarise its main findings, results and conclusions. BRAINPOoL is funded through the European Union's Seventh Programme for research, technological development and demonstration, and seeks to help accelerate the use of 'Beyond GDP' indicators in policy-making. It is primarily a knowledge brokerage project working by helping the producers and promoters of Beyond GDP indicators and the potential users of these indicators come together, understand one another, and identify fruitful interactions.

The first stage of the project (Work Package 1) explored the arena through the perspective of indicator producers and promoters – cataloguing the various initiatives, understanding the producers' intentions, and learning about the indicators' successes or otherwise in achieving some form of impact in policy, the media and elsewhere.

In the second stage of the project (Work Package 2) we took up the perspective of the potential users of Beyond GDP indicators – working to understand several selected national and supranational organisational contexts, identifying the barriers to and opportunities for demand for Beyond GDP indicators.

In the third stage (Work Package 3) we took a closer look at how different alternative indicators are being used within seven specific organisations and contexts at different geographical levels, from the local to the supranational, bringing producers and potential users together. We worked with the OECD, the Welsh Government, the City of Rotterdam (The Netherlands), the City of Chrudim (Czech Republic), the British Business Bank (United Kingdom), the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU, Germany), and the Midi-Pyrénées region of France. In each of these case studies, we sought to identify a problem that Beyond GDP indicators might help solve, and explored the steps and barriers to be overcome if they were to play such a role.

The fourth stage (Work Package 4) comprised of knowledge brokerage activities which brought together a diverse group of different stakeholders identified as being key to accelerating the use of alternative indicators. A two day workshop was held to verify the drivers and barriers identified in previous BRAINPOoL work, and develop a 'vision report' and 'action plan' identifying the steps and actions needed to help overcome barriers to the use of indicators that can balance the use of GDP in policy-making.

If you would like to explore the themes covered by any of these exercises in greater detail, please also take a look at the individual work package reports available from [www.brainpoolproject.eu](http://www.brainpoolproject.eu)

## Intended audience

As a summary of the BRAINPOoL project's main results, this report is aimed at a wider audience than some of our previous outputs and will be useful for anyone interested or engaged in efforts to broaden the measurement of societal progress or expand the range of policy options used to achieve this end. These may include governments, think tanks and other bodies seeking to increase the use of Beyond GDP indicators in policy-making or political scientists exploring how these indicators can influence policy processes. The conclusions may be of interest to those active in the technical work of indicator production as well as those such as media interested in the broader narrative that Beyond GDP indicators embody.

## Methodology

A wide variety of complementary research tasks and actions provided the basis for the results presented in this report. One of the more experimental aspects of the BRAINPOoL project is that our work has moved from rather classical empirical analysis to encompass more innovative ‘action research’, brokerage activities and finally the co-development of what could be called ‘policy strategy’ with some of the actors we engaged. In brief this progression of work included:

- ▶ Extensive desk research, literature reviews and analysis of institutional documents.
- ▶ Widespread structured and non-structured interviews with indicator producers and users across Europe and at international fora.
- ▶ Studies on the institutional contexts of Beyond GDP indicators in specific EU-member countries, as well as at the level of selected international and European organizations through ‘road shows’ (in-house workshops).
- ▶ Hands-on work with policy agencies (at supra-national, national, regional and local levels) on the issues and barriers they face in using or promoting alternative indicators through tailored case studies and seminars.
- ▶ A two-day knowledge-brokerage workshop for policy makers, economists and statisticians to validate the barriers, identify best practice and co-create a vision and agenda for future Beyond GDP work.
- ▶ A final conference focusing on how to achieve both a Beyond GDP narrative that can win electoral support, and the integrated, innovative policy-making that is needed for Beyond GDP indicators to influence policy.<sup>1</sup>

## What we mean by ‘Beyond GDP’?

The term ‘Beyond GDP’ suggests those indicators that are providing some information that GDP currently excludes. But it is necessary to underline that ‘Beyond GDP’ does not simply mean the limited additional use of environmental and social indicators. If this were the case, there would be no issue to investigate, since of course environmental and social indicators are used in environmental and social policy making. If they are to have the impact necessary to define new objectives for society, change our policy goals and result in ‘better’ outcomes, Beyond GDP indicators are going to have to be used in at least some contexts where GDP is currently used, either as integrated or complementary decision-making tools or as replacements.

We emphasise this because during our research we found that many statisticians felt that there was nothing new about Beyond GDP, after all social and environmental variables had been measured for decades. This suggested that they did simply equate ‘Beyond GDP’ with ‘social and environmental’.

Instead, for our purposes, as well as embodying a certain vision about the quality and sustainability of our way of life, ‘Beyond GDP’ refers to a particular way an indicator is or should be *used*. We therefore defined Beyond GDP indicators as:

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<sup>1</sup> For more in-depth descriptions of our methodologies please see BRAINPOoL’s individual work package reports 1-4, at <http://www.brainpoolproject.eu/about-2/work-packages/>

*“those indicators and indicator sets that have been proposed as necessary and central to the measurement of societal progress in a broad sense, other than those indicators, such as GDP or the unemployment rate, that are already playing this role.”<sup>2</sup>*

We believe that creating agreement for a definition such as this, that is less about indicators themselves and more about how, where and why people propose they are used and what measurements are really important for societal progress, will contribute positively to the understanding and diffusion of Beyond GDP indicators.

In this report we will use the term ‘alternative indicators’ to mean ‘Beyond GDP indicators’ and use both terms interchangeably.

## **What is this project addressing?**

It is now widely agreed that the intermediate objectives that have dominated economic policy for the last 40 years and more – maximizing GDP and market efficiency – are no longer adequate goals for society. Over the last decade it has become clear to a steadily widening group that growth on its own cannot deliver what a broad coalition now wants: sustainability, social justice and improved well-being. Instead, we need to ask how efficient different forms of economic and other societal activity are at delivering these desirable outcomes. To the extent that growth is desirable, it needs to be ‘good growth’.

The question then becomes how to achieve changes to economic policy-making consistent with these changed priorities. One part of the answer is new measures of progress that reduce the predominance of GDP: a necessary, although obviously not sufficient, condition.

Increasingly institutions such as Eurostat, the OECD, the World Bank, National Statistics Offices (NSOs) and others are responding to the desire of governments and civil society to at least consider a more nuanced set of economic policy objectives than growth pure and simple. At the same time NGOs – that do not consider the existing official attempts sufficient – are using alternative indicators as an advocacy tool, and seeking more radical societal change that promotes a quality of human life and levels of well-being that are consistent with the carrying capacity of the earth’s ecosystems.

The BRAINPOoL project’s goals are necessarily multi-layered but all our activities have been directed at making sense of the array of actors, aims, indicators and initiatives that have emerged from these activities.

We have therefore attempted to take a broad view of the whole indicator cycle from indicator production towards final use in policy making, as well as the processes that don’t fit this pattern. We have looked at the emergence of new indicators, categorising the diverse types, differing aims and varying levels of success and impact. We have focused on gaining in-depth knowledge of the different types of demand for alternative indicators across different target groups and crucially for a brokerage project investigating the reasons for a ‘lack of demand’.

Some, but not all, of the activity around alternative indicators is effective at having a ‘real world’ impact, that is, helping policy makers, and those influencing policy makers, crystallise their objectives, assess their performance, and as a result change and improve what they do. So we have also spent time assessing what the barriers are to using new measures of societal progress in a broad sense to guide policy and how these hurdles can be overcome.

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<sup>2</sup> From BRAINPOoL’s WP1 Report: (Hák, T. et al, 2012)

## Why is this important? Correcting a policy bias

The sixty years since the creation of national accounting systems with gross domestic product (GDP) as the central indicator have revealed a variety of inadequacies in both the metric itself and the ability of GDP and economic growth to tackle fundamental problems in society. While many people correctly argue that GDP was never intended to measure economic welfare, the widespread 'maximalist' misuse of GDP (by economists, politicians, and the media) as a proxy for 'success' or 'failure' at a national level means that a few of the criticisms commonly levelled against it are worth briefly touching upon:

One of the foremost complaints against this broad misuse of GDP is that it does not distinguish between expenditures on activities that have a positive or a negative impact on quality of life or well-being. For instance spending associated with war, natural disasters, divorces or car accidents are all registered as positive in GDP terms, but cannot be assessed as positive for society. The crude output measures that are used, such as the number of medical procedures carried out or the number of fires extinguished, miss a crucial point: while responding to the need for such services is a good thing, reducing the need for them would be better. (O'Donnell et al., 2014) This type of economic activity that creates a decline in quality of life or produces significant negative external environmental impacts has been termed '*uneconomic growth*' by former World Bank economist Herman Daly and others.

On the flipside GDP leaves out many components that enhance welfare but do not involve monetary transactions and therefore fall outside the market (Kubiszewski et al., 2013). It doesn't count, for example, home-made or home-grown products (vegetables, fruit) used for personal consumption which can thus be considered a drag on growth. Similarly unpaid labour such as domestic or voluntary work is absent despite their widespread benefits to society.

GDP also does not account for the distribution of income among individuals, telling us nothing about who is capturing the wealth that is generated or how it is being delivered: one Euro or Dollar of value going to a millionaire or a slum dweller is viewed the same despite the considerable difference in impact on both individual and social well-being. So, while GDP is often used to measure standard of living, this can fall even as GDP rises, as GDP makes no distinctions for child labour, unsafe factories or growing wealth inequalities. (Wilkinson and Pickett, 2009).

GDP measures flows through the economy rather than stocks or developments in natural, economic or social capital assets. These impacts and changes are vitally important elements if you are interested in long-term or sustainable perspectives (van den Bergh, 2007). Critics therefore argue that environmental damage and the depletion of resources linked to the production of goods and services is not adequately addressed by GDP.

Given the nature of these criticisms the questions BRAINPOoL is tackling are worth addressing to the extent that there is a bias in policy making towards prioritising GDP growth above other objectives, and to the extent that this bias is exacerbated by the prominence of the GDP metric itself. In particular the idea that the ability to maximise GDP growth defines 'economic competence', perceptions of which influence economic advice and drive elections, which in turn create strong incentives to maximise GDP.

The bias towards prioritising GDP growth and efficient markets is particularly damaging given the pervasive scale and scope of current market failures and damaging externalities, suggesting two interdependent challenges:

- ▶ the need for a new headline measure of progress (or small set of such measures) that can balance GDP and thus help define and guide a more balanced political programme, *and*
- ▶ the need for that more balanced political programme *itself*; this can be characterised neutrally as one that involves better management of trade-offs than in the past (i.e. less bias in favour



of growth) leading to better quality growth (i.e. growth that is equitable, sustainable and results in high levels of well-being).

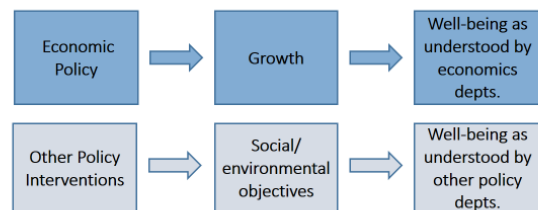
BRAINPOoL is concerned with both of these – using ‘Beyond GDP’ indicators in policy making means ‘balanced’ policy making. As already noted it is important to emphasise that ‘balanced’ does not just mean the adoption of social and environmental goals in parallel with economic goals (experience tells us that economic objectives tend to trump other ones) but rather a more *integrated* approach to *economic* and other policy making.

This point is illustrated in the following charts:

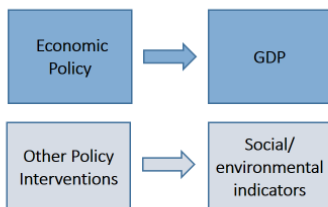
**The bias towards GDP maximisation as a means to increasing well-being ...**



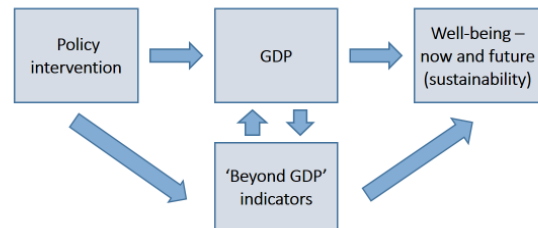
**... will not be corrected by parallel objectives, which already exist ...**



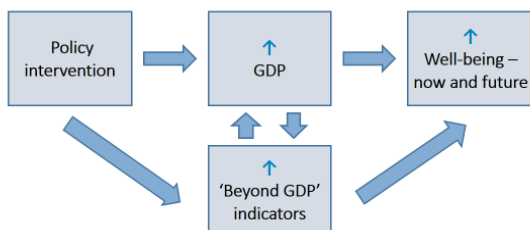
**... as do the relevant indicators ...**



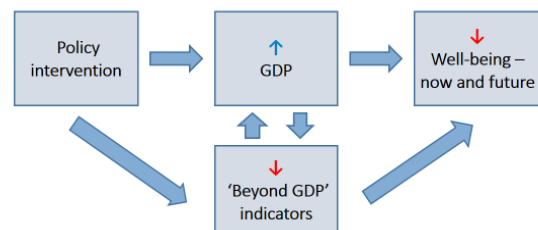
**... but by a more integrated policy process ...**



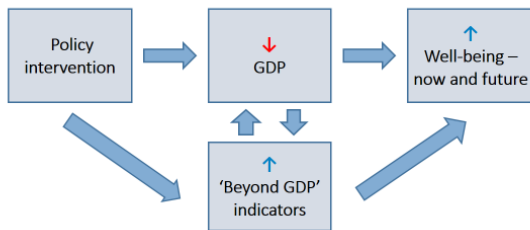
**... allowing policy makers to target good quality growth...**



**... not bad quality growth ...**



... and in some instances to sacrifice growth.



Beyond GDP indicators appear at two points in this model: as ultimate outcome measures, measures of well-being now and in the future (the right hand box); and as measures of the drivers of these outcomes (the central box). This corresponds to the double role that GDP plays: as a proxy for welfare, and as a measure of output. In other words the indicators could play two roles in the policy process: defining the ultimate objectives of policy, and defining the intermediate objectives of policy.

The key point of these diagrams is that what we measure does affect the choices we make and if our measurements are flawed or incomplete, decisions are likely to be distorted. Thus the choice between promoting GDP and tackling income inequality or protecting the environment may be a false choice, once the negative costs to society of environmental degradation or inequality are appropriately included in our measurement of economic performance.

Without successfully merging these currently parallel processes we are in no position to understand whether the continuing commitment to economic growth is, or is not, taking us in the right direction; towards well-being and genuine progress for societies, both for current and future generations.

## 2. Understanding the supply, influence and success of Beyond GDP indicators

Interest in Beyond GDP indicators has grown rapidly in the last decade, at least partly in reaction to the growing complexity and number of interlinked social and environmental crises that the world is facing. A broad variety of alternative indicators reflecting trends in the state of the social and physical environment have been developed offering new signposts for the orientation of our societies. Ideally, this information expands alternatives, clarifies choices and provides decision makers with important functions such as monitoring progress made towards fulfilling policy goals.

In reality, however, despite their many useful applications in both defining the intermediate objectives of policy (policy drivers) and in measuring ultimate outcomes (e.g. well-being/sustainability), the number and diversity of alternative indicators has made it difficult for their relevance and meaning to be appreciated. Decision makers therefore often still lack the broad-based information needed for 'good' decision making. In fact the very diversity or 'over-abundance' of Beyond GDP indicators is cited as one of the reasons that has prevented any single alternative indicator to emerge as a serious counterbalance to the dominance of GDP<sup>3</sup>.

This abundance can cause both competition between producers of indicators and confusion from potential users. Concentrating efforts on increasing the supply of scientific data, there is a danger that academics, statisticians and NGOs may not be producing information considered relevant or useful

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<sup>3</sup> See BRAINPOoL's WP2 Report (Thiry G. et al., 2013), p.44

by decision makers, and may simply be producing too much of the ‘wrong’ kind of information. On the other hand, due to a general lack of fruitful interactions between statisticians and democratic representatives, actual and potential users are likely to have specific information needs that go unmet.

During the early phase of the project we therefore considered a number of ways indicators can be usefully classified to increase clarity. These included:

- ▶ *Level of impact (international, national, local)* – Indicator providers should develop and promote indicators for a particular spatial and geopolitical scale. The same indicator may have different meaning in different contexts or when applied on different scales. A national average value or global figure can mask regional disparities or significant inequities between societal groups and patterns evident at one level of resolution can be lost at lower or higher levels. Some issues are affected by regional inputs and require regional action in order to be addressed effectively.
- ▶ *Indicator domains (environmental, social, economic)* – Beyond GDP indicators are often designed to shed light on the development of human, social and economic systems able to be sustained into the future and be kept in harmony with the biophysical systems of the planet. They should thus provide information on one or more of these domains, not neglecting the important links between them.
- ▶ *Indicator approaches (subjective, objective)* – Beyond GDP indicators are supposed to measure characteristics or processes of the human-environment system. Specifying the characteristics of the system or entity can be very subjective (in some cases political, philosophical and/or cultural differences may prevent a wider consensus). It is important to realise that science cannot (always) validate the goals set for the system, but it can validate the ability of the chosen indicators to measure the system characteristics properly.
- ▶ *Indicator types (single indicator, set/dashboard, aggregated, composite)* – Beyond GDP indicators are truly multi-purpose and are thus necessarily multi-structure. We will explore the merits of these different approaches later in this report.
- ▶ *Envisaged users – politicians/policy makers, the public, specific experts* – Indicators are by definition communication tools and it is the capacity of the indicator to reach its target audience that to a large extent determines its use and potential impact. Some users need simple, structured information (voters, non-specialist media, and decision makers), others require an intermediate level of detail (local government, policy implementers, non-government organizations, funding bodies, and industries), while statisticians and academics may need highly technical data.
- ▶ *Link to GDP (adjusting GDP, “replacing” GDP, supplementing GDP)* – the realization that GDP is a measure of economic quantity, not economic quality or welfare has led to (i) indexes that ‘correct’ GDP by incorporating a variety of economic, social or environmental factors which are not included in the conventional measure (e.g. Genuine Progress Indicator); (ii) indexes that do not use GDP (e.g. Ecological Footprint) and (iii) indexes that include GDP (Human Development Index).

## Indicator producers: intentions versus ‘use’ of alternative indicators

Through wide-ranging interviews with indicator promoters the project identified nine key categories that describe their intentions. These included influencing the public, enhancing knowledge, pursuing democratic goals, providing tools for others and encouraging data collection. By far the most important goal, however, was to influence policy, with an important distinction between indicators associated with broad ‘macro-economic’ objectives and indicators aimed at informing specific finer-grained ‘micro’ policy decisions.

Interviewees were asked about the audience they targeted and the channels they used to reach them. While unsurprisingly the primary channel and audience was often direct contact with policy makers, it is interesting to note that the direction of travel (even from 'grassroots' NGOs) was not always 'upwards' and the general public and civil society are seen as a key audience even for official initiatives, perhaps in an attempt to establish public support and legitimacy for this agenda. This was validated by our findings that strong societal demand for solutions to the very real environmental, social and economic problems that face society is one of the key drivers of the Beyond GDP movement.

Beyond these intentions we also looked at the actual 'use' of indicators and as other studies have found<sup>4</sup>, we noted a number of different types:

Thus *instrumental use* of indicators describes situations where indicators are seen as objective information tools to improve policy-making. Typically, the discourse used in this model is about solving problems and providing information. An indicator has an influence when it is 'used' directly by a policy maker and this consciously influences their decisions.

*Conceptual use*, on the other hand, sees the prime value of the indicator to be more intangible and less about their actual direct use. In this model, indicators influence how policy makers think through a process of 'enlightenment'. Indicators (or indeed the framework they are placed in) might affect how decision makers define problems, or provide new perspectives on problems.

Finally *political use* encompasses three interesting sub-categories:

- ▶ Legitimation use – where indicators are used to justify or bolster a decision which has already been taken. Where the indicators that are successful tend to be ones that provide the desired message. This is also called strategic use.
- ▶ Tactical use – quite a specific use of indicators, whereby decisions are postponed or avoided with the excuse that data is being awaited. The content of the indicator is actually of little relevance.
- ▶ Symbolic use – whereby indicators are being used to convey a message or present an image.

## Influences: What counts as success?

Given the diverse and sometimes not entirely legitimate range of uses noted, a necessary question to be asked is what types of use or influence of alternative indicators should actually be counted as a 'success'? From BRAINPOoL's interviews and workshops, we can conclude that many policy actors believe that alternative indicators are most liable to achieve 'success' (in terms of becoming broadly adopted by a critical mass of mainstream policy actors or catalysing a change public policies) once they meet a set of criteria which many in the Beyond GDP field would regard as lacking any real innovation.

We found persistent perceptions among mainstream policy actors that if alternative indicators are to succeed their methodologies must be consistent with the current economic model and be directly linkable to existing economic instruments and tools (e.g. cost-benefit analysis, resource efficiency).

In the business context, it was suggested that to be adopted alternative indicators should be compatible with traditional managerial and accounting processes, and hence the goals of profit and

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<sup>4</sup> See: POINT, 2009. Process and results of analytical framework and typology development for POINT. Available at: [http://www.point-eufp7.info/storage/POINT\\_WP2DeliverableD5-FINAL-REV.pdf](http://www.point-eufp7.info/storage/POINT_WP2DeliverableD5-FINAL-REV.pdf) and: Boulanger, P.-M. (2007), "Political uses of social indicators: overview and application to sustainable development indicators", International Journal of Sustainable Development 10 (1-2): 14-32



competitiveness. If indicators are viewed as helping to serve, enhance or support pre-existing growth objectives, they are more likely to be considered as desirable.

This perceived need for a compatibility between profitability and the use of alternative indicators inevitably leads to questions about the fundamental goals and motivations of the Beyond GDP agenda, in terms of implementing a definition of progress which is beyond “economism” or economic growth for its own sake. Some would argue that the goal of having *any* alternative indicators used should not be favoured if the long term cost is the prevention of more fundamentally alternative methodologies from emerging and ultimately becoming embedded or institutionalised.

## Achieving Impact

Notwithstanding the difficulties, almost all indicator producers we surveyed want to influence or be useful to policy makers and thus ultimately have a real world impact, although we identified a number of other forms of influence that indicators can have. These influences may ultimately contribute to real societal change (or act as stepping stones to achieving that change) and can be summarised as follows:

- ▶ Internal influence and external reputation of the organisation
- ▶ Influence with the rest of the Beyond GDP movement and on data collection processes
- ▶ Influence with opinion formers: media, education, academics
- ▶ Influence with the public
- ▶ Influence on policy making and assessment processes
- ▶ Influence on specific policies; influence on practice

Despite most of the indicator initiatives we studied being less than ten years old, there were a great variety of influences these indicator initiatives believe they have achieved, which demonstrates that Beyond GDP indicators are achieving *some* traction in policy. Several of these examples are worth highlighting.

The most basic influences noted were transmission to or reference by a decision maker. The next step up from this is use of Beyond GDP indicators in assessment. Examples of this include the Genuine Progress Indicator (GPI), Index of Sustainable Economic Welfare (ISEW) and the Regional Index on Alternative Quality of Life Indicators (QUARS) being integrated into regional or local official assessment frameworks in the US, UK and Italy respectively. Also noteworthy in this regard is the Ecological Footprint being used to set environmental impact targets in several national governments.

Actual policy changes connected to indicators were also reported. These include for example the implementation of schemes to improve habitat for farmland birds after changes to the UK Defra Sustainable Development Indicator set and changes in sentencing guidelines, also in the UK, as a result of the growing interest in subjective well-being (associated with the Measuring National Well-Being programme). This can be seen as an example of a conceptual influence, rather than an instrumental one. Also of note is the investment of \$15 billion by the United Arab Emirate (UAE) government to develop alternative energy sources spurred on by a poor ranking in the Ecological Footprint.

The most prolific successes that we encountered were achieved by local level indicators, perhaps because the distance between producer and user of the indicators is much smaller (sometimes they are even the same person!) making it easier to achieve a better ‘fit’ while also achieving legitimacy and relevance. For example, the Jacksonville Community Council Indicators are believed to have been instrumental in reducing infant mortality rates, recidivism and water pollution in the Florida city they are used. The Council of Europe’s SPIRAL (Societal Progress Indicators and Responsibility for

All) project, meanwhile, achieved changes to the delivery of food relief in France and the transformation of the approach to homelessness in Belgium.

It should be noted, however, that the impacts of Beyond GDP indicators tend not to be in the sense we have defined it, (i.e. as measures of progress in the broadest sense) and even at local and regional level where there is considerable impact it is usually not on *economic* policy. In general the indicators are designed to influence detailed social and environmental policy issues (alcohol policy, delivery of public health services, farmland bird protection).

## Media impact

The media attractiveness of an indicator is important, not least for politicians hoping to reach wide audiences and influence public opinion, and was taken in this project to represent one objective proxy for indicator impact. The BRAINPOoL project conducted an extensive media survey of a short list of 16 indicators that spanned all the major indicator categories we had identified.

The main conclusion is that, in the arena of media, it is particularly important that indicators deliver simple and meaningful concepts. The Human Development Index (HDI) and Ecological Footprint (EF) are by some margin the most popular international-level Beyond GDP indicators. What they measure may be complicated, but both indicator sets manage to illustrate a complex reality using a single figure that allows straightforward trend monitoring and comparisons between countries.

## 3. Understanding demand for Beyond GDP indicators

Given the significant variations in the uptake and impacts that different Beyond GDP indicators achieve, and the relative lack of clarity surrounding how different policy actors perceive and react to the 'Beyond GDP' approach one of the project's key tasks was trying to identify and describe the different aspects of 'demand' for Beyond GDP indicators.

The BRAINPOoL project devoted a considerable amount of time to exploring how key actual and potential users understand and relate to alternative indicators, the range of success factors and drivers which determine the uptake of indicators into policy and the various institutional and other barriers that need to be overcome for this to happen.

Of course 'demand', and indeed, 'supply' are rather crude concepts compared to the reality of the production, diffusion, use and impact of indicators. Our research quite clearly illustrates that the uptake of indicators depends on a much more complex set of mechanisms than a simple reaction to the state of demand. Furthermore, very few of the actors we interviewed considered themselves to be a "user" or "producer" of alternative indicators. Most of them appear to be somewhere in the middle of the process – as part of demand and supply, production and use – and uncomfortable with a reductive term to describe the whole landscape of processes surrounding new indicators.

With this proviso, there are, however, still a range of the project's key findings that can be usefully summarised under the title of 'demand'.

### Who is expressing demand?

This is an important question to address as the variety of actors has become as numerous as the variety of reasons that lead people to show an interest in alternative indicators. Several types of demand were identified:

## Societal demand ... for new models

We found little evidence for strong ‘bottom up’ societal demand for *indicators themselves* though this is not surprising given the complexity of these tools and their almost exclusive construction by experts. What certainly exists in parts of civil society is a strong appetite for a more or less extensive transformation of both our current ‘world vision’ and of the underlying socio-political system itself.

The general public, of course, does not think in terms of indicators, but in terms of human dimensions and societal change that impacts their daily lives. Scientists, NGOs and governmental bodies are increasingly basing their work in response to this genuine and often widespread demand for solutions to various environmental, social and economic problems that face society. Their work can therefore be viewed as a technical interpretation of this demand.

The fact that civil society is impacting the debate at all reveals an important evolution in a field that was once almost the exclusive preserve of statisticians and economists. A certain popular unease about the validity of the economic system, influenced by the economic crisis, an increasing awareness regarding the need for sustainability and the growing influence of the participatory approach has led actors within the debate to progressively take into account the broader needs of society. In this way civil society plays a role as an informal stakeholder that affects broad trends, without being directly involved in the production or promotion of alternative indicators.

So, while ‘bottom up’ demand is rarely for indicators themselves the strong call for societal change that can be identified should be taken into account in the construction of new indicators which can be used to measure and enable the changes that are being demanded. Civil society should certainly play a more central role in any future debates about what ‘societal progress’ or a ‘good life’ actually mean and the types of indicators we use to measure these concepts.

## Political demand ... for new measures

The transformational vision seen in some parts of civil society is unsurprisingly not common amongst political elites and demand for Beyond GDP indicators tends to come when they are seen to be compatible with the status quo or incremental change (e.g. enhancing well-being at work to support profit maximisation). However, an increasing political demand has been observed for a single, simple, yet multi-dimensional indicator – despite the obstacles faced by the creation of such synthesised tools – and better environmental indicators.

Political demand also tends to be strongest at the local and regional levels, due in part to the objectives of sustainable development and the relative proximity of local leaders and civil society amongst other factors.

Where political demand does exist it is often either associated with pressure from civil society, or is strongly dependent on the existence of a legal or regulatory framework mandating the use of alternative indicators e.g. as part of obligatory evaluation procedures or national sustainable development strategies in which indicators often have a specific role to play.

While some actors we interviewed suggested that the problematic over-supply of alternative indicators should not be an issue for decision makers who are used to a profusion of data, there is still not widespread high-level use of the existing initiatives. While Beyond GDP indicators can be useful both at the macro guiding and micro decision-making levels, we found that they are more likely to serve a conceptual, assessment or communication role rather than a role in decision-making, where they are often applied too late in the process to have real influence.

This is consistent with the views of indicator producers we interviewed who doubted that any policies would be implemented as a result of an indicator that weren’t already part of the ideology of the

decision maker in question<sup>5</sup>. This is also consistent with various examples we encountered of very specific uses of indicators connected to very particular user requirements, and also to the common belief that politicians are liable to only use indicators that make themselves look good (or make the government look bad in the case of opposition parties).

On a more positive note, we found that there is real connection between an indicators ability to transport new concepts and their eventual political impact. Indicators can often first deliver conceptual change without which subsequent instrumental (political) change could not happen.

## Radical vs Status quo

The different types of demand seen at the societal and political level is indicative of a broader divergence about aims in the wider Beyond GDP movement, with the proliferation of new actors involved guaranteeing the existence of a diversity of aims and ambitions.

These new actors, while all questioning GDP to some extent, hold very different expectations about the outcomes of the movement, ranging somewhere between two extremes:

The replacement of GDP with another aggregated indicator, with the goal of reassessing the link between measurement and the evolution of society. Here, calls for 'beyond GDP' indicators are essentially calls for a 'beyond GDP' society.

This contrasts with a stance that favours an evolution of the current economic system, rather than the development of an alternative vision, with the addition of new indicators alongside GDP to support the goal of extending the existing statistical system.

## Demand for democratic legitimacy

In many of the discourses that the BRAINPOoL project analysed there was agreement about the lack of adequate democratic legitimacy and public participation, particularly in the construction and development phases of Beyond GDP indicators. We also encountered general demands for wider access to statistical information. The recurrence of such demands strongly contrasts with the actual context in which Beyond GDP indicators are commonly formulated: very technical debates, with the involvement of high-level actors, in frequently costly processes, at events and conferences without media coverage and with poor civil society participation. The contrast between the expectations around democratisation and the current reality need to be seriously addressed if the public is to have any sense of engagement or ownership of this agenda. We address this point more fully in our 'recommendations' section.

## Lack of demand

Generally, however, we found that the use of Beyond GDP indicators remains weak, both within institutions and in the policy making process. This weak demand can be explained in terms of:

- ▶ A lack of belief in the need to move away from GDP and a lack of knowledge of the alternatives amongst potential users ('user factors')
- ▶ The difficulties of moving away from GDP in the current political context ('policy factors')
- ▶ Concerns about the quality, robustness and neutrality of Beyond GDP indicators themselves ('indicator factors')<sup>6</sup>

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<sup>5</sup> See BRAINPOoL's WP1 Report (Hak. T et al (2012) p. 106)

<sup>6</sup> For a more in depth discussion of the different 'user', 'policy' and 'indicator' factors please see BRAINPOoL's WP2 Report (Thiry, G. et al., 2013)



We will explore some of these ‘reasons for non-demand’ in greater detail in the following chapter on ‘Barriers to the use of alternative indicators in policy making’ but it is worth highlighting a range of them here.

### No clear belief in the innovation presented by Beyond GDP

On the one hand, while there is a general acknowledgement of GDP’s weaknesses, we observed that many statisticians feel there is nothing new about Beyond GDP indicators and that they do not offer any social or statistical innovation.

Furthermore, they point out that GDP is often used to inform areas for which it was not created and was never meant to measure welfare. The problem, as they see it, is not with the metric itself, but how it is used and broadcast to the general public, particularly by the media.

As such, there is a perception from statisticians in particular that the Beyond GDP debate has been blown out of all proportion, because they produce all sorts of indicators, not just GDP. The recurrence of debate is often not fully understood by statisticians which explains their reluctance to engage in the issue.

### A belief that the well-known defects of GDP can be lived with

While mainstream actors (not linked to the Beyond GDP agenda) in BRAINPOoL’s workshops did mention the lack of correlation between GDP and subjective well-being in rich countries and the negative environmental impacts of growth, in most cases these limitations were perceived quite superficially. If GDP’s methodological defects are questioned at all, the consistency of its use in decision-making is not.

Most of these actors are thus in favour of “completing” GDP rather than replacing it as they believe it represents a robust measurement system that can be compatible with many environmental goals and remains a good proxy measure for progress.

### A belief growth remains pivotal

Ultimately, even if GDP is not seen as a good proxy for welfare, it is seen to be measuring something that is so pivotal to the current societal model that it needs to remain in a central place.

Thus, most mainstream actors we encountered could not entertain the possibility of organising economic and societal activities according to an alternative indicator to GDP. A strong belief remains that quality of life improvements – whether social, human or environmental – are impossible without assuming the pursuit of economic growth.

Concepts such as “smart growth”, “green growth” or “inclusive growth” have emerged as ‘Beyond GDP’ responses to this mainstream need for an overriding framework of growth, while steady-state proposals of zero-growth or even de-growth are rejected as unrealistic given the lack of compatibility between such objectives and the effective functioning of the current economic system.

### Poor knowledge of alternatives

If the limits of GDP seem to be only weakly identified by mainstream actors, existing indicator alternatives are even less well known. Aside from the ‘Stiglitz-Sen-Fitoussi’ report, Human Development Index and Ecological Footprint, awareness of international Beyond GDP initiatives, events and indicators is generally poor. For example many workshop attendees had not heard about the OECD’s ‘*Better Life*’ initiative or the EU’s ‘*GDP and Beyond*’ initiative showing that even strong institutional support is not sufficient to guarantee mainstream awareness.

Even where a clear demand exists, knowledge of Beyond GDP initiatives can be lacking. In France, for instance, some MPs suggested it would be a good idea to have a dashboard of indicators on sustainable development, without realising that they already existed.

### Lack of trust in Beyond GDP indicators

We were able to identify several features of the Beyond GDP agenda that elicit distrust from mainstream actors and appear to exacerbate a lack of demand.

*Distrust of subjective data* – we found that many actors question the quality of subjective data. Among the main reasons raised were the lack of verifiability, difficulties with comparability of data, the potential for arbitrary dimensions and their lack of time-consistency.

*Distrust of ulterior motives* – of course all indicators carry normative or political values in the very choice of what they measure and exclude, delivering meaning in a much broader sense than their pure statistical nature. However, we found that some mainstream actors find the value-based aspects or political assumptions underlying the methodologies of some Beyond GDP indicators to be particularly problematic.

Most Beyond GDP indicators exist, fundamentally, because they strive to influence existing socio-political conventions and some of them implicitly embody support for new social or economic models. In these cases calls for 'beyond GDP' indicators are basically calls for a 'Beyond GDP' society, whatever the interpretation of such a society are. These ultimate goals are rarely stated openly, however, and it is thus predictable that some mainstream actors approach the field of alternative indicators with a certain amount of suspicion.

*Concern about a lack of realism underlying alternative indicators* – a third element of distrust lies in the important role of underlying assumptions and models. Many of the participants consider the dependence of indicators on issues that contain high level of uncertainty, such as sustainability, as problematic with suggestions that might lead to arbitrary choices, a lack of transparency or the 'massaging' of numbers.

A very important related issue (which we will deal with in greater detail in the following 'Barriers' section) is *the lack of an alternative societal model* that links clearly with Beyond GDP indicators in the way that the orthodox growth model links with GDP.

There are also *concerns about the longevity of the Beyond GDP movement* – some actors expressed a view that Beyond GDP indicators are a 'flash in the pan' or transient interest that would be unlikely to endure in the long-term.

### Incompatible temporalities

One of GDP's strong points is that it is published at regular three-monthly intervals and is considered timely, allowing decision makers to use it as a policy making tool. In contrast many alternative indicators are currently published irregularly or with too much of a time lag to impact on policy cycles.

Added to this is the fact that Beyond GDP indicators often necessarily incorporate long-term issues (such as sustainability) and long-term trends (such as changes in well-being), which struggle to attract the attention of politicians and the media focused on short-term political and news cycles.

A primary factor suppressing demand is thus a lack of political will confronting actors working in this field brought about by a conflict in time scales that alternative indicators often experience within the political sphere. In other words, if measures that are desirable for long-term sustainability also somehow imply short-term 'pain', they are less liable to be adopted by those engaged in the short-term focus of political decision making.

## Ambivalent effects of the financial crisis

A range of factors influencing demand for Beyond GDP indicators can be linked to the structural (economic and political) context into which they are introduced. The effects of the financial crisis on the Beyond GDP agenda, for example, can be viewed in both positive and negative terms and provides support to multiple – and to a certain extent conflicting – beliefs.

One position tends to assume that the crisis has played a role in weakening the credibility of GDP as a leading indicator and has revealed an increased need for alternative measurement tools, in part to counterbalance low or stagnating GDP figures. This argument sees the old economic model as discredited due to further evidence of its endemic and harmful instability, thus opening the space for new social critique and allowing the positive expansion of the Beyond GDP agenda. We found that in France and elsewhere, this analysis had gained ground and demand for a Beyond GDP approach had increased since the crisis.

In contrast, while many actors agree that the current system's limitations have been further exposed, they assert that there has been no marked increase in the *actual use* of Beyond GDP indicators to reveal alternative or 'better' solutions since the onset of the financial crises. Indeed the pattern seems to match historical precedent whereby when growth levels are high there is concern about its negative side-effects, whilst during periods of low growth there is an almost exclusive obsession with how to increase it again.

Debate around the crisis has focused on austerity measures, deficit reduction strategies and growth as the engine of employment. GDP has therefore remained pivotal in designing the budget, in elaborating fiscal policies and in expressing deficit and debt targets with little space left for new indicators. Thus in practice, the economic downturn has immediately compromised the opportunity to build a new model (both logistically and politically) by implying a shortage of resources

## Opportunities and success factors

Alongside these factors identified as negatively influencing the demand for Beyond GDP indicators our work revealed some clear counter examples of opportunities and reasons to be hopeful. These drivers of demand appear at both the political and societal level:

### ► *At the political level...*

#### Institutionalisation

While no alternative indicator has come close to the institutionalisation experienced by GDP, the existence of political programmes such as National Sustainable Development Strategies, including those in Germany, France and the UK, in which indicators have a specific role to play has rendered indicators less dependent on the vagaries of political and policy cycles.

These and other structural governance mechanisms in which alternative indicators are linked to legally binding frameworks are increasingly allowing them to be used and monitored more systematically.

#### The influence of the 'Stiglitz-Sen-Fitoussi Report'

One of the most recurrent observations in the interviews and workshops we conducted is the pivotal influence of the 'Stiglitz Commission' and the report which followed. The strong political support, eminent scientific contributions and wide media coverage it received played an important role in allowing Beyond GDP indicators to gain access to wider political audiences and agendas, not only in its host country of France but also in the wider EU and OECD.

While the report itself is not considered exceptionally innovative in terms of content, the clear, readable synthesis of the state-of-the-art that it offers has undeniably contributed in orienting many institutions towards the production and/or use of new indicators. One interviewee responded to the idea that the report might be “old wine in new bottles”, by saying it was more like “old wine in new ears” – highlighting that the report reached audiences that other initiatives had not been able to.

The report not only enhanced the demand for indicators by highlighting the importance of the Beyond GDP agenda, but helped several emerging notions gain greater credibility, legitimacy and salience. Like the ‘Brundtland report’ did for the concept of sustainable development, the ‘Stiglitz report’ initiated renewed reflection on the way societies should think about their future and manage their priorities.

This time, however, concepts of quality of life, of well-being, and of social progress were placed centre stage and the report catalysed the emergence and popularity of a series of well-being indicators, which are slowly but surely encroaching on domains once inhabited by sustainable development.

### A more proactive approach

We were able to identify increasingly proactive moves on the part of statisticians and decision makers towards the production and use of alternative indicators. The most salient example regards the European Union, where a major change of approach has been observed among many Directorates-General (DGs). From an initial relatively passive attitude towards indicators (e.g. waiting for Eurostat proposals), many DGs have progressively gained awareness of the role of measurement in policy-making and now actively request the supply of specific types of data and indicators from Eurostat.

#### ► *At the societal level...*

### Recognition of the interplay between indicators and social change

Several of the actors we interviewed noted the key role that indicators play in defining world visions, striving as they often do to influence existing socio-political conventions and generate support for new societal models. As we have already seen the impact of the financial crisis on the Beyond GDP agenda was mixed, but it is worth reiterating that the crisis has led to stronger calls for social change and further questioning of the current economic model.

This observation is supported by a recent international survey (in 11 countries) which shows that since the onset of the crisis 68% of respondents favoured replacing GDP with a broader indicator that also incorporates health, social and environmental statistics. Only 23% favoured the statement that governments “should measure national progress using money-based, economic statistics because economic growth is the most important thing for a country to focus on.”<sup>7</sup>

### New actors at the table

One of the main developments that has accompanied the emergence of the Beyond GDP agenda, is the opening up of the measurement debate to a much wider set of actors. Progress is no longer just a topic for economists. The field has broadened from an initially narrow and close-knit group of experts to a wide range of stakeholders including academics, political actors, NGOs, think-tanks, psychologists and civil society groups.

While GDP restricted the scope of discussions to economic issues and therefore limited the number of concerned actors to the economic sphere, beyond GDP indicators, in contrast, address a far broader range of issues which inevitably involve new actors. Other disciplines such as psychology

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<sup>7</sup> Ethical Markets, (July 2013), [http://www.ethicalmarkets.com/wp-content/uploads/2013/05/Beyond\\_GDP\\_Poll\\_2013\\_Summary-Report-final-280513.pdf](http://www.ethicalmarkets.com/wp-content/uploads/2013/05/Beyond_GDP_Poll_2013_Summary-Report-final-280513.pdf).



and environmental science are now closely involved, while academics are playing an important role in launching critical debates, taking part in official processes and building strong interconnections between the different actors involved in the debate.

The rise of the well-being approach has further catalysed this process with initiatives generated from every type of actor with a desire to reach civil society through the use of an easily grasped concept.

### What factors can contribute to an indicators success?

Given the range of reasons the BRAINPOoL project has identified as contributing to a lack of demand on the one hand and the diverse opportunities and drivers for the Beyond GDP agenda experienced at both the political and societal level on the other, it is worth exploring why some indicators manage to achieve success while others fall short.

Based on interviews with the promoters of 17 different Beyond GDP initiatives we were able to identify a clear set of factors which are likely to enhance the success and impact of alternative indicators, both in terms of generating interest and demand but more importantly in terms of influencing policy and allowing indicator promoters and producers to achieve their aims. The main factors are summarised below<sup>8</sup>:

#### Salience for decision makers

Indicators were successful when they could be demonstrated to have real relevance for policy or strategy. Crucially they need to measure something that policy makers believe they can influence which can be a problem for Beyond GDP indicators given the intention to measure broad overarching concepts such as progress. For example this is one of the biggest hurdles to the uptake of subjective well-being indicators, which explains why several initiatives promoting them are working to build the evidence base on how policy can influence well-being.

A related success factor is the ability of an indicator to show clear links between what it measures and *other* tangible outcomes (e.g. levels of subjective well-being that are related to reducing obesity, health costs, absenteeism and staff turnover) both for policy makers and business.

When an indicator is applied by an organisation or institution, it should also have the ability to fit with its vision or strategy particularly for those initiatives whose goals are around priority-setting or assessing progress. This was relevant for the three sustainable development indicator sets we studied, all of which were born in the context of sustainable development strategies.

Similarly, local level indicator initiatives need to ensure that their outcomes meet the priorities of the community they serve e.g. by inviting community members in to 'red flag' indicator results that they feel are important for the organisation to explore further. Typically, the ability to match a vision or strategy works best when the indicator is produced in-house, though we found the Index of Sustainable Economic Welfare (ISEW) to be an exception to this rule.

Another factor that is relevant to the political sphere is cost. In the current climate, indicators that provide clues for low cost policies, or indeed those can help save money are of particular interest. On the flipside, we found that indicators that necessitate expensive data collection are either ruled out or seen as a waste of public money.

#### Salience for a broader audience

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<sup>8</sup> For a more in depth description please see Chapter 6 of our WP1 report

We found that having relevance for a broad audience is also crucial to an indicator's success. Our findings include lessons both about the indicators themselves and how they are communicated.

Indicator initiatives tend to be effective when they allow the production of a 'simple' and 'attractive' message that links to a meaningful concept. A related issue is that of comprehension. For example, whilst well-being is not a simple concept, many of those we interviewed regarded it as a notion that ordinary people found easy to grasp. A similar point can be made regarding the Ecological Footprint (EF) which is an understandable, appealing concept, despite involving very complex calculations.

An interesting lesson emerged from Eurostat which highlighted the importance of working collaboratively and closely with communication experts, rather than simply handing data over to them. Outputs are then developed iteratively to ensure that both communicability and accuracy are maintained.

Avoiding the use of 'taboo' words was also identified during our interviews as being key to a broad appeal. In the UK the word 'happiness' was often perceived as woolly, frivolous or non-scientific. In Germany among other countries, the word 'welfare' ('wohlfahrt' in German) has negative connotations in its association with financial handouts from the government, while in the USA, alternative indicator producers have avoided talking about 'climate change' instead referring to 'air quality'.

### Factors related to credibility and legitimacy

Indicators need credibility and legitimacy to succeed and we found a number of factors that were relevant in this regard.

Data quality is a particular concern with some interviewees reporting unease regarding subjective well-being, including questions regarding reliability and the belief that these measures do not change over time.

Strong resistance was also expressed by several interviewees about composite indicators primarily related to concerns over methodology and the weighting of different components. A commonly expressed opinion also holds that the world is too complicated to be reduced to a single indicator, while one interviewee went as far as saying that creating a single number is 'very dangerous'. The OECD's Better Life Initiative has managed to secure acceptance of a composite indicator by allowing users to decide for themselves how to weight the different dimensions of the measure.

Being (or at least appearing) neutral is generally regarded as the best route to achieving legitimacy. As we have already noted, some alternative indicator producers work within a framework of simply providing 'neutral' information, while others are clearly connected to particular agendas. As a result we found that some interviewees compare advocacy organisations' data unfavourably with that of National Statistical Offices (NSOs). In this regard, clear best practice mechanisms can be put in place to increase neutrality such as the monitoring of funding mixes and the barring of staff from involvement in political parties.

Finally, having institutional power can often enhance legitimacy, with governmental or supra-governmental bodies like the Council of Europe and the OECD benefiting from the status of institutions that are 'issuers of rules' that are likely to be heeded by other institutions like national statistical offices.

### Factors related to relationships and processes

Developing indicators with the audiences at whom they are targeted and/or encouraging participation is also seen as a key success factor for alternative indicators. This is particularly important for local-level initiatives and was successfully achieved by several of the initiatives we looked into such as the Jacksonville Community Council Indicators (JCCI).

The importance of relationship building also applies to policy makers with all of the initiatives that had achieved policy success citing direct face-to-face channels as vital. For example Gallup regularly provide individual briefings to members of parliament and government departments on their Gallup-Healthways Well-Being Index, while the approach of the UK's Office of National Statistics has been to actively engage with policy makers to understand how their Measuring National Well-being can be used by them.

As has already been noted in this report, it is clear that local initiatives have been able to achieve more impact than larger national/international ones to date, with a variety of reasons cited. Local bodies are found to be more 'flexible' and media are often keen to pick up regional stories. It is also easier to build direct relationships with your target group at the local level. However, whilst national-level change might be harder to achieve, generally it needs only to be achieved once in each country, whereas there was a perception at the local level that change needs to take place many times over.

Working in partnership was also found to be an important positive factor. Aside from allowing a greater network to be reached and a greater skill base to be marshalled, partnerships allow different organisations to take on different roles. For example, the Regional Index on Alternative Quality of Life Indicators (QUARS) brought together a range of partners which were able to advocate on different issues that the initiative raised. Many of the partners came on board because they identified something of particular interest to them in the broad initiative. This can ensure an initiative is not too associated with a particular agenda.

In a similar vein, picking one's audience was also seen as a key to attaining success. Two contrasting strategies were observed here. On the one hand, initiatives worked with potential users who could be identified as 'allies', useful advocates or people who already had an interest in the issues at hand. At the same time, several initiatives highlighted the need to reach those bodies that might be expected to be least sympathetic to their initiatives – particularly ministries of finance, treasuries or economics departments. A third important option combines the strategies, targeting allies or people who have expressed interest *within* these difficult-to-reach audiences.

## 4. Barriers to the use of alternative indicators in policy making

Having looked at some of the positive drivers and opportunities available to Beyond GDP indicators as well as the factors likely to enhance their success it is important to recognise that a diverse array of obstacles facing the Beyond GDP agenda remain.

Throughout the project's activities but particularly while working with our seven case study partners during BRAINPOoL's action research phase<sup>9</sup> we investigated the barriers to the creation and use of new measures of progress, particularly in relation to how they can guide policy. Some of the barriers we found can be seen as inevitable consequence of the ambitious aims and methodologies of Beyond GDP indicators themselves and are thus somewhat intrinsic and insoluble, while others both can be – and need to be – overcome if alternative indicators are to flourish in the future. This second set of barriers is predominantly not about the indicators per sé, but rather about the policies, narratives, and policy-making techniques that they are associated with.

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<sup>9</sup> See Seaford, C. (nef), Report on results on action research: barriers to the use of alternative ('Beyond GDP') indicators in policy making and they are being overcome and can be overcome. BRAINPOoL deliverable 3.1, A collaborative project funded by the European Commission under the FP7 programme (Contract no. 283024). nef (the new economics foundation), 15 November 2013

Whilst the following section is not intended to be an exhaustive list of the barriers being faced by Beyond GDP indicators we found a remarkable number of parallels amongst our cases, which suggests that other alternative indicators are likely to be experiencing similar challenges.

The barriers were explored through the following seven action research cases:

#### *Opportunities for use of alternative indicators in the OECD [OECD]*

The OECD has been at the forefront of the development of Beyond GDP indicators and is at the vanguard in terms of exploring the policy implications of Beyond GDP indicators. However, the organisation does face challenges in taking the agenda from statistics to actual policy recommendations. In this case we identify barriers and opportunities for the further uptake of Beyond GDP indicators in influencing policy.

#### *The German National Welfare Index (NWI) and the Environment Ministry (BMU) [Germany]*

The National Welfare Index is the only index funded as a research project by the German government through the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and Federal Environment Agency (UBA). The index attempts to act as a catalyst for the debate about what kind of growth we actually want for society and how we can best include sustainability and social prosperity into our measurement systems. In this case we explore and describe the full range of barriers affecting the indicator and where possible illustrate ways of exploiting potential drivers and opportunities.

#### *The British Business Bank [British Business Bank]*

Work is currently underway in the UK department for Business Innovation and Skills (BIS) to set up a state owned Business Bank which will be fully operational by the second half of 2014. In this case we take the recommendations of an independent taskforce that the Bank should have a mandate to promote good, sustainable jobs, a performance indicator framework to match, and that it should identify potential barriers to this and how these might be overcome.

#### *The Welsh Government Sustainable Indicator Set [Wales]*

This case is about how the Welsh Government uses its headline Sustainable Development Indicators (SDIs). It finds that the indicators are not currently used effectively across Welsh Government policy-making due to a variety of barriers that result in them not being seen as having a meaningful role within the policy-making process. However, it describes a clear opportunity to clarify and strengthen the role of the SDIs through the Future Generations (Wales) Bill which the Government plans to introduce in 2014.

#### *Sustainable development in the Midi-Pyrenees, France [Midi-Pyrenees]*

The main objective of this case is to identify barriers to the use of Beyond GDP indicators in policy at regional and sub-regional levels in France, and to propose ways of overcoming them. We discussed the issues involved individually and at two workshops with officials and elected representatives at the level of the region, *département*, urban community/community of towns, and individual city/town as well as NGOs and the regional statistical office.

#### *The Rotterdam Sustainability Profile, the Netherlands [Rotterdam]*

The Rotterdam Sustainability Profile [Rotterdam] Officials at the City of Rotterdam have been developing a Sustainability Profile, a new way of presenting and using data on sustainability issues at the local level, and at the time of the case were starting to plan how best to use this. The case identifies potential bottlenecks within the City municipal organisation which could hamper the further

development and implementation of this new indicator, and on the basis of discussions with stakeholders, identifies how these can be overcome.

### *Healthy City indicators in Chrudim, Czech Republic [Chrudim]*

This case illustrates the process of development and implementation of indicators at the town level (Chrudim). In particular it describes the way the cooperation between experts in indicator development and the local authorities has influenced the indicator set development, the motivation of the town representatives to use “alternative” indicators (drivers), the barriers to indicator set implementation, and the ways these barriers are being overcome.

### **The barriers**

At the most superficial level budget constraints form a barrier to the use of Beyond GDP indicators and similar problems were identified in many of the cases we studied. The economic crisis and resulting government austerity measures have exacerbated this hurdle by reducing the budgets for statistical services, leaving fewer resources for new statistical tools. However this generally reflects low prioritisation and is thus a symptom of other problems, not the diagnosis.

The remaining underlying barriers can be divided into three groups: 1) Political barriers 2) Indicator barriers 3) Process and structural barriers

### **Political barriers**

#### *Lack of democratic legitimacy*

This applies particularly to indicators’ role as measures of ultimate outcomes – measures of well-being now and in the future (the right hand box in our diagrams on pages 8-9). The indicators being put forward have not been agreed democratically, especially those measuring sustainability, and even subjective well-being measures, which on the face of it are completely uncontroversial and legitimate, have not been popularly endorsed as measures of outcomes in the public realm. GDP by contrast, or so it is argued, has legitimacy because it is both a key driver of welfare and a proxy measure of welfare (admittedly crude), and welfare has legitimacy because as traditionally defined it is based on how people *choose* to spend in the market.

#### *Lack of strong narrative that engages the public*

The lack of legitimacy is in part because ‘Beyond GDP’ indicators are not underpinned by a coherent, politically compelling narrative to compete with the orthodox narrative that underpins GDP: i.e. that markets will deliver optimal outcomes except where specific market failures are identified, and that maximising growth while correcting market failures will therefore maximise welfare. Many policymakers generally regard this narrative as essentially sound, and therefore view Beyond GDP as redundant or worse.

In the case studies we worked on we found that efforts to connect with the public and civil society by those promoting Beyond GDP indicators (where this had happened at all) had not always been particularly successful. In the Midi-Pyrenees we found that both sustainable development and Agenda 21 did not engage citizens well and it was clear that those promoting this agenda found it difficult to involve a broader range of citizens. This meant regularly resorting to ‘top-down’ processes for developing Beyond GDP indicators for the region.

In Wales we were told that communication around sustainable development had failed to connect with the public, perhaps partly because there was nothing emotionally charged, that resonated, with the public in the Sustainable Indicator Set and no strong accompanying narrative. By contrast, one official noted, “it is the narrative around economic growth that makes it a priority”. Some thought that



getting the narrative right was critical: “get the messages right, get the politics right and the other things will come in behind it”.

### *Lack of a clear political imperative*

The lack of legitimacy and narrative just described, together with the pressures created by the economic crisis, mean that there is no demand amongst the bulk of the electorate that politicians prioritise the outcomes that Beyond GDP indicators measure (although as we have seen there is demand from some sections of the electorate and civil society of course). As a result there is no strong demand from politicians for use of the relevant indicators, even if sometimes they call for the development of these indicators (e.g. British Prime Minister David Cameron, former French President Nicolas Sarkozy).

## **Indicator barriers**

There remain a number of technical questions with indicators and disagreements continue about how best to measure concepts such as sustainability. Adjustments to GDP made by indicators such as the Index of Sustainable Economic Welfare are seen by some as lacking a theoretical justification and no single indicator has emerged as a measurement of well-being.

### *Data problems*

Issues around data remain a problem for some indicators, representing a barrier both to their creation and use, but like resource shortages this kind of information resource barrier is often only a symptom of a wider problem. Some complications are inevitable in the context of the use of new data, and they only constitute a serious barrier if the necessary financial resources are not allocated, or if the lack of time series is allowed to trump the need for a Beyond GDP approach to policy-making – i.e. if the whole agenda is a relatively low priority.

In some cases the necessary data is simply not available or may be difficult to find: we found this both in Chrudim and in our discussions of the British Business Bank. It may be that while data is available, timely, robust and sufficiently frequent data is not, meaning that the data could not be used to assess the current situation effectively. We found this was sometimes the case for the National Welfare Index (NWI) in Germany, where there is currently a time-lag of 1.5 to 2 years and some of the variables are based on assumptions or studies rather than hard data. Some of the indicators in the Welsh Sustainable Development Indicator set similarly only appear once a year and one is several years out of date.

A third problem is that adequate time series may not yet be available. We were told that 20 years of data is necessary for the OECD to model econometric relationships, and that while contemporary data is available, adequate historic data is not.

### *Conceptual confusion*

Throughout our work we found that the divergent and contrasting nature of concepts which underlie different Beyond GDP indicators is leading to damaging confusion about concepts and terminology. Even if people are fundamentally sympathetic to the Beyond GDP agenda, they are not going to use the indicators if they are confused by them. The competing concepts of quality of life, living standards, human development and sustainable development contribute to increased confusion, while many terms, such as well-being or sustainability, are used to mean different things by different actors.

For some actors, well-being represents the social part of sustainable development; for others it constitutes a combination of the economic and social spheres. Some think that well-being is similar to sustainable development, just presented in a different way; others assume well-being is in

opposition to sustainable development, bypassing environmental concerns and focusing only on present generations.

In the Midi-Pyrenees, some attendees at the workshops simply identified 'alternative' indicators with composite indicators, and even those who saw themselves as active participants in the debate thought that well-being could not be measured. Similarly, in Wales, there was little understanding of how well-being statistics can be used. One official said "I think the problem with well-being is that people are jealous", another referred to the fact that her "own personal well-being...changes from day to day" as a reason why the Government should not attempt to measure it. Not surprisingly given this, the meaning of 'Beyond GDP' was not obvious to many participants in our workshops, nor was it always clear what Beyond GDP was for.

We also found very little understanding of alternative indicators amongst many politicians and officials in our workshops which is consistent with our earlier findings that a poor knowledge of alternative indicators is a key factor in the lack of political demand. Interestingly, there was some evidence that support grows as people find out more (e.g. in the Czech Republic and Midi-Pyrenees case studies we found that there was much stronger interest in opportunities when people were informed about alternative indicators).

### *No Beyond GDP indicator with the salience of GDP*

The failure to create a strong narrative is made worse by the fact that there is, as yet, no agreed candidate for a single Beyond GDP indicator with the salience of GDP as a broad measure of societal progress. This makes it difficult to replicate the simple headlines currently linked to the quarterly GDP figures. There is no number and therefore no compelling alternative story to tell.

Attempts to deal with this have not yet been successful, and we encountered recurrent debates about which alternative indicator methodology to use and the correct level of aggregation. Some favour composite indicators while others choose dashboards. Some favour adjusting economic measures to reflect social and environmental factors while others prefer to start afresh with subjective well-being indicators drawn from surveys.

For those who favour subjective well-being, no single objective indicator (e.g. income, or housing, or life expectancy) can claim to represent the entirety of the multi-dimensional concept of well-being. But some subjective well-being indicators, at least in theory, are measures of well-being overall – the idea being that people responding to such questions are implicitly considering the multiple dimensions of well-being and providing an overall assessment.

Certainly, throughout the project's activities we have found well-being measures progressively dethroning the call for sustainability indicators. However, while well-being analysis is likely to remain an important policy tool, as yet subjective well-being has not established a clear lead as the dominant indicator. For example at the OECD, there was a view that a subjective well-being indicator on its own would be too narrow as a headline indicator – that it should not be seen as "the ultimate synthesis indicator of well-being in society", while in Wales and the Midi-Pyrenees we also encountered some scepticism as to its value.

Another potential candidate would be a composite indicator, of which the NWI in Germany is an example. The main argument in favour of composites is their communicational abilities, which like GDP, can give the 'temperature' of a situation clearly through their single number and can often be readily compared to GDP, if, like the NWI, they are expressed in monetary units.

However, there are well known problems with composites such as the choice and weighting of components, which were evident in the cases we studied. In the Midi-Pyrenees we came across the common view that composites are 'black boxes' and in Germany the basis of the NWI was questioned. Indicators using this methodology (the Index of Sustainable Economic Welfare (ISEW) and Genuine

Progress Indicator (GPI) are very similar) have been accused of lacking a coherent theoretical foundation which critics believe results in corrections being applied to economics data without giving any theoretically sound justification for doing so.<sup>10</sup> Some interviewees expressed the additional worry that aggregation into a single figure can hide crisis situations associated with a particular component.

The Rotterdam Sustainability Profile is also a form of composite and we found here that the complexity of the indicator can be a real problem, especially in terms of interpretation. Several officials saw a possible danger of misinterpretation, partly driven by a complex method of presentation, or an excess of information.

The final possibility is a dashboard of indicators – a pragmatic approach often associated with policy making and very much ‘operational’ rather than ‘educational’.

### *The language and politics associated with Beyond GDP*

The resistance to change, lack of popular support and lack of a strong alternative narrative creates particular sensitivities to the rhetorical and political associations of Beyond GDP. This is both a matter of resistance to specific words, but also of the broader political positioning of Beyond GDP.

Thus at the level of words, some of the stakeholders of the British Business Bank believed there was a danger that use of Beyond GDP indicators would make the bank seem uncommercial, that as a result business would react negatively, and that the bank would therefore be ineffective. In particular, one political actor felt that the indicators would be more acceptable if described as economic rather than social indicators. As noted earlier in this report there is a need to avoid ‘taboo words’ if an indicator is going to gain broad appeal. Thus in Germany, the word welfare (‘wohlfahrt’) used in the name of the National Welfare Index has persistent negative connotations similar to those in the US where it is associated with dependency and government hand-outs.

The NWI faces a more challenging barrier in that through its uptake, it is quite strongly associated in some quarters with the Green Party – rather than as an impartial way of assessing progress. While the NWI works entirely within a scientific framework and provides neutral information that is freely available for any actors to use, at least one interviewee mentioned that there “must” be a connection to the Green Party, due to the extent to which Länder (German federal states) that are associated with them have taken up the indicator, and of course it is true that the choice of variables in any index cannot but reflect a certain set of priorities. While the Green Party is relatively successful in Germany, this could be a handicap so long as other parties that are in power view it as a ‘Green Party tool’.

More generally, Beyond GDP indicators will need to survive changes in administration in the way that GDP has survived such changes – a point made in the Chrudim case study and a conclusion we also drew from the Wales case study. While they may not initially reflect a consensus on what the goals for society are, in time they will need to come to do so. This is consistent with our earlier findings that the appearance of neutrality strengthens the chances of an indicator being successfully adopted, and that there is resistance to Beyond GDP indicators to the extent that they are associated with “unrealistic” steady state or de-growth proposals.

## **Process and structural barriers**

### *No clear process for integrated and innovative economic policy making*

The inherent multi-dimensionality of Beyond GDP poses two key challenges to the policy making machine. Firstly, an integrated approach to economic analysis must deal with complexity and

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<sup>10</sup> e.g. see Neumayer, E., (1999), ‘The ISEW – Not an Index of Sustainable Economic Welfare, Social Indicators Research, Kluwer Academic Publishers, p. 82

uncertainty and make use of a wider range of methodological approaches: this creates analytical challenges and there has as yet been relatively little development of models linking policy with overall well-being, in contrast to the well-established (even if often highly unreliable) formal and informal models that guide the development of economic policy designed to maximise GDP and market efficiency.

What is needed is an innovative policy making process (for example considering combinations of policies that have not been tried before), notoriously difficult in civil services.

In the British Business Bank case study the need to manage complexity was seen as reason for not using Beyond GDP indicators by some workshop participants. They felt that the kind of processes needed to meet non-GDP objectives would be difficult to manage effectively – and as a result the entire exercise would be more risky. The difficulty of dealing with multiple indicators and thus competing pressures was also highlighted by several officials in the Wales case.

At the OECD it was pointed out to us just how hard it would be for analysts to accurately model the impacts of policies on the multiple dimensions of well-being (including future well-being, or the environment), given the interactions between those policies and the feedback loops between different aspects of well-being.

Thus the concepts that are key to Beyond GDP are seen to be more dynamic and harder to measure. As one staff member said at the OECD “our economics department has been built on the idea that if you cannot measure a phenomenon it doesn’t exist.” This may sound frivolous, but the OECD’s reputation is at least partly based on its capacity for quantification, and for robust predictions about the impact of policies based on careful assessment. However policy innovation typically involves new combinations of policies, which are unlikely to have yet been tried. Its impact is therefore difficult to predict and represents a real dilemma for organisations such as the OECD with a reputation for impartial rigour.

### *Increased co-operation between organisations, departments and disciplines*

Second, an integrated approach to policy requires increased co-operation between organisations and working across departmental and disciplinary boundaries with a range of different perspectives at the table. The barriers to achieving these demanding cross-silo practices are familiar and were mentioned in several cases.

Thus at the OECD, it was clear that working ‘Beyond GDP’ requires consideration of “diagonal effects” (the impacts of policy in one area on outcomes in another) but that there were clear challenges in harmonising the output of the organisation. This is particularly difficult because different divisions report to different committees, which represent different departments of member country governments. Reference was made by one interviewee to the different “blood groups” that the members of different committees belong to.

Different “blood groups” were also referred to by an interviewee in Rotterdam as a barrier, where effective use of the Sustainability Profile would involve integrated processes. As several interviewees pointed out, work processes within Rotterdam’s municipality are not that integrated, there are several departments formally involved in the realisation of sustainability goals, and there is not strong cooperation between different departments. Accordingly, a lot of attention will be needed to embed the Sustainability Profile in work processes.

Similarly in Germany, the fact that the broad social, environmental and economic components of the National Welfare Index did not fit into any ministerial mandate was seen as a barrier – although of course the whole point of the indicator is to integrate those mandates. In effect it can only be championed by a body with a broad mandate, such as the Chancellor’s office, a cross-departmental taskforce, or arguably Destatis (the German national statistics office).

In the Midi-Pyrenees we found that the necessary co-ordination between different authorities was weak. This was not just a matter of policy – it was also a matter of co-operation on data and indicator initiatives: data and standards were incompatible at different scales and between territories, and initiatives were undertaken without any knowledge of what had been done elsewhere. Central co-ordination was not helping: in the Midi-Pyrenees, regional and local authorities felt limited by a lack of central leadership; similarly in Chrudim, the absence of interest at national level in the application of indicators at the local level was noted – and initiative at town level was in some cases prevented because of national directives.

### *Institutional resistance to change*

We came across and heard about clear resistance to abandoning traditional objectives and the informal models that support them. This resistance to a Beyond GDP approach can take several forms. It may reflect a genuine belief in the need to prioritise growth, a belief that the existing system is capable of dealing with externalities and that is all that is needed, a concern that in the absence of a theoretical foundation policy guided by new indicators will be ineffective or the fact that the power and/or success of certain institutions depends on the continuing predominance of traditional objectives and informal models. This resistance is effective to the extent that (a) there is no political imperative for change and (b) it is reinforced by structures and processes that preserve the power of those resisting.

### *Natural conservatism*

There are also clear issues of natural conservatism around habit, perceived norms and risk aversion which can result in passive resistance to the changes that the use of Beyond GDP indicators implies. In this respect, the use of Beyond GDP indicators is no different from any other significant change. Moving ‘beyond GDP’ represents innovation and as such risk – and this is not appealing to many actors who are responsible for policy making.

So, for example, some more progressive commentators on the British Business Bank took a conservative view because they believed that this would be the view of business, and they were concerned not to go against the needs of business. At the OECD, some staff, who appeared genuinely committed to the idea of making well-being rather than economic activity the objective of policy, also appeared to find it hard to break the habit of seeing GDP as the variable that one is trying to maximise.

### *The view that Beyond GDP is redundant*

Natural conservatism shades imperceptibly into the view that in reality there is no bias towards growth in policy making and that therefore Beyond GDP is redundant or worse. Where decision makers hold this view, naturally they will not adopt Beyond GDP indicators.

There is a crude and a more sophisticated version of the view. The crude version mirrors what we found when investigating the reasons for the continuing primacy of GDP amongst most economic policy actors. These findings made clear that even if GDP is not seen as a good proxy for welfare, it is seen to be measuring something so central to the current societal model that it needs to retain a central place.

Some actors believe that growth is so supremely important that it should always trump other objectives. While this is certainly a minority viewpoint it does sometimes underlie political messages and thus shapes the policy environment. So for example, in 2013 both the German Federal Minister of Economics and Technology and the UK Chancellor of the Exchequer were vigorous in their respective campaigns for GDP increases, both stating a belief that environmental legislation is a barrier to growth and so needs to be cut back.



We have here a policy environment in which growth will (almost) always trump other objectives, and thus one where indicators such as the German National Welfare Index or the Welsh Government Sustainable Indicator Set, designed for an environment in which there are multiple objectives, are made more-or-less redundant.

Of course one reason for this view is that the ‘other desirable outcomes’ may only make a difference in the longer term, and voters are believed to take a short term perspective. This is particularly relevant now since growth is a particular priority for decision makers given the recession. Thus we were told in Wales, “we don’t pay attention to long-term ambition because we are too busy trying to sort out the immediate problem” and that sustainable development was not amongst the government’s top three goals. In the Midi-Pyrenees we were told that the social situation was currently too critical for the Beyond GDP agenda, and that territories needed to be “economically strong” first.

*In the more sophisticated version of the view that beyond GDP is redundant growth is only one goal amongst many but the market can be trusted to deliver optimal outcomes, except to the extent specific market failures are identified. Dealing with the latter does not require us to develop a whole alternative apparatus of measurement – we already have a well-honed methodology for assessing and correcting such failures.<sup>11</sup> This traditional statement of economic theory remains very powerful.*

Here too, a more extensive role for alternative indicators is considered unnecessary and probably counter-productive because of the complexity involved. It is worth emphasising that this is in effect arguing that an integrated approach to policy (with multiple objectives using multiple indicators) was inappropriate. In their words it is a direct rejection of the Beyond GDP approach.

### *A failure to connect*

We also came across examples of indicator development that was not taking into account the requirements of their users or ‘client groups’ – as if the creation of the indicator was in itself enough for it to be used. But even if many of the theoretical and indicator barriers described above are overcome, they will not be used without effective action within potential user organisations. For example, indicators are unlikely to be used if they have been developed in isolation from the policy process and agenda or allowed to drift apart from that process and agenda. In such cases there is a clear need for more effective ‘*indicator entrepreneurs*’ capable of spotting the opportunities for new or existing metrics and promoting them to those who could benefit from them.

In a sense this is obvious, and was the original hypothesis of the BRAINPOoL project – that the promoters and potential users of indicators were not talking to each other sufficiently. It is worth emphasising, however, because the idea that what is measured will on its own influence what is done appears to have gained some traction, particularly since the Stiglitz Report. However while measurement may be a necessary condition for policy change, it is self-evidently not a sufficient one.

We saw this in two cases. In one case (Rotterdam) the indicator was still at a relatively early stage of development and there had been a strong initial focus on the technical aspects, rather than an attempt to think about its place in the policy process, and arguably a failure to link its spatial scope to political boundaries. The result was a lack of shared understanding as to the purpose of the indicator and considerable scepticism amongst senior managers which clearly needed addressing.

In the other case (Wales) it was because the indicators were the result of an earlier initiative designed to create a permanent measurement framework for government, which no longer represented the current government’s priorities (and arguably never really did). Given this, there was naturally no strong impetus to use the indicators as an accountability mechanism and no link between the

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<sup>11</sup> for example as set out in the UK Government’s ‘Green Book’

indicators and policy outcomes – described as “totally disconnected from the work that goes on” by one official.

Why was this? One official noted that a robust theory of change was not always developed on how particular indicators would help address an identified problem. In some cases policy objectives were even opposed to the objectives implied by the SDI indicators so would have resulted in big distortions if used to measure the policy success.

More broadly, as in Rotterdam, the indicators were not yet part of a policy making process designed to produce sustainable development outcomes. As yet another official put it, the indicators themselves are too “linear” and “don’t ensure that people address the full range of SD outcomes in the round. We need mechanisms for integrating.” So one official could point to the headline SDI measuring economic growth and describe his activities towards this goal as evidence he was addressing the SD agenda, when of course the whole point of the SD agenda is to encourage policy makers to consider the trade-offs between growth, sustainability and other objectives.

## 5. Going Forward

A number of the project's recommendations for overcoming barriers were specific to the contexts and organisations we worked with, and can be found in the seven case studies reports we produced (Seaford, 2013). In this section, we have brought together those recommendations that we think can be of use to a wider audience, leaving aside those barriers that we consider to be symptoms rather than root causes and concentrating on those that we feel are most urgently in need of resolution.

In the report's Annex 1 we further develop two of these recommendations which we believe are both central to the overall change process, and also actionable.

### Recommendations

Our recommendations are addressed to a range of actors: political parties, officials, NGOs, the OECD and other international agencies, official statisticians and unofficial statisticians. Different recommendations are relevant to different actors (in brackets).

#### *1. Develop processes to engage citizens and establish the democratic legitimacy of Beyond GDP indicators (Political parties, officials, NGOs)*

Beyond GDP concepts need to be rooted in processes, goals and targets that have legitimacy. A democratic process with wide representative and public engagement on the measurement of ultimate goals (end indicators), including subjectively measured ends, will help to raise legitimacy and public awareness of (harmonised) Beyond GDP concepts. This probably has the highest potential for success on the local level, as democratic engagement might be easier to organise at smaller scales, but is important at all scales, including at the European level.

More generally, the debate about how we measure progress cannot be left to experts. The complexity and multi-dimensionality of Beyond GDP in fact makes deliberation necessary, based on exchanging knowledge and experiences between various stakeholders and partners.

Some possible next steps include:

- ▶ Projects to facilitate participatory public discussions on what we mean by 'societal progress' and 'good lives', and how we should measure this; as well as participatory processes for policy development. Some attendees at BRAINPOoL's final conference and workshops suggested that well-being provides a particularly useful framework for convening such discussions, encouraging citizens to think about what matters most to their own well-being.
- ▶ Projects to link the outcomes of these participatory initiatives to work with politicians (particularly at local level) to develop new frameworks for measuring progress – including obtaining funding to scale up existing local-level initiatives.
- ▶ Forging links between the Beyond GDP community and those engaged in working for democratic renewal.

#### *2. Develop a strong Beyond GDP narrative, and demonstrate the difference use of Beyond GDP indicators will make to policies and outcomes (Political parties, OECD, NGOs)*

A consistent theme throughout our work is the need for better communication to effectively demonstrate the salience and relevance of the Beyond GDP agenda to a wider audience and there is a clear need for further work to develop politically compelling messages around Beyond GDP indicators. To be successful as a public communication tool, Beyond GDP indicators must connect with things that have real impact on people's lives – dramatising a real problem and pointing the way towards a solution. In our action research case studies, we recommended the development of new

messages around Germany's National Welfare Index and Wales' Sustainable Development Indicators which showed their clear relevance to people's lives – particularly the disadvantaged.

Such messages must go beyond the division between economic, environmental and social, instead articulating a new, more holistic vision of progress which resonates with the public. For example, well-being can be expressed as quality of life and linked to politically powerful concepts such as good jobs; sustainability can be expressed in terms of security and future quality of life. The impacts of the financial crisis and the clear perils of planetary boundaries and tipping points can be used as a backdrop to the narrative but should not be a core message. Instead the foundation for this work will be what people care about and should use positive messages built around what people find most important: community, fairness, equality, good education and a better quality of life.

Other possible projects building on this might include:

- ▶ Engaging communications and branding specialists to help translate Beyond GDP indicators into compelling messages for a wider audience, and advise on how these messages can be disseminated more effectively. Different messages will need to be tailored for different audiences, albeit underpinned by a common narrative and the same fundamental principles. For example a business version of the narrative should be developed that shows how the well-being and sustainability agenda can make good business sense.
- ▶ Media training and capacity-building programmes for statisticians and indicator producers, so that statistical releases more effectively penetrate the public debate and generate positive media coverage which advances a wider Beyond GDP narrative.
- ▶ Harnessing 'big data' to produce timely Beyond GDP data which is more attuned to the news cycle, e.g. a well-being index based on online content such as search terms which would be released in real time.
- ▶ Mapping governments which have shown interest in Beyond GDP and where the key opportunities for gaining traction with Beyond GDP narratives might be; facilitating cross-jurisdictional learning about what has, and has not, worked.
- ▶ Identifying a set of headline Beyond GDP indicators that will form part of the narrative (in the way that GDP forms part of the GDP narrative). These can then be introduced into EU and national policy processes – see recommendation 4 below.

There is also a clear need for further work to develop the theoretical foundations for Beyond GDP narratives. Various speakers at our final conference stressed that this was vital if Beyond GDP was to compete with conventional neoclassical narratives. Some possible projects might include:

- ▶ Synthesising and building on existing work in heterodox economics – in particular to answer key questions such as how an economy with lower or zero growth might work, and how we can have well-being without growth.
- ▶ Building networks of researchers, facilitating discussions and collaboration between them, and creating opportunities for their work to be debated and discussed by a wider (academic and political) audience – for example through workshops and events.
- ▶ Promoting changes to economics curricula in schools and universities to better reflect the strong assumptions of the neoclassical model and the alternative schools of thought which challenge these assumptions.

The narrative will need to be populated with specific policies with appeal the success of which can be measured. We return to this under recommendation 4.

3. *Continue work on the technical and theoretical foundations of alternative indicators, with particular focus on standard setting and harmonisation, and paying attention to the need for engagement by politicians as well as experts (Academics, official statisticians, OECD, international agencies)*

Although we conclude that the political and policy related barriers to Beyond GDP are fundamental, it is of course true that technical issues remain. There is a need for greater scientific consensus on sound methodologies, based on peer reviewing etc; we also recommend that a neutral body or institute should have a role in safeguarding data quality and neutrality of those Beyond GDP indicators which are based on non-official data.

Policy makers will find it easier to deal with the complexity inherent in multiple indicators if the latter are properly categorised and grouped, in such a way that policymakers can access them easily and use them. Accordingly we recommend that indicator producers and their sponsors ensure that existing and future indicators are categorised in this way and brought together into a database. This is being addressed in another EU-funded project, NETGREEN.

International comparability is particularly important for Beyond GDP indicators in an increasingly globalised world, since it not only enables benchmarking of progress against other countries, but also enhances the credibility and legitimacy of indicators. This work is underway through the European Statistical System and other initiatives. However under recommendation 4 we have suggested some initial actions to link the UN's SDG process to Beyond GDP.

As work in this field is well underway, the conference did not propose any further specific actions.

4. *Improve processes for integrated and innovative policy making (Officials, political parties)*

This requires the ability to manage complexity without recourse to standard economic thinking. Three strands of change are needed:

- ▶ *More and different people are at the table* when decisions are made. This requires multi-disciplinary working (i.e. incorporating insights from disciplines beyond economics), working across silos within organisations, increased co-operation between organisations and potentially re-organising in order to bring together diverse perspectives and challenge orthodoxies. For instance, in the Chrudim and Rotterdam case studies we recommended closer co-operation between departments and units, as well as between experts and representatives, while in the OECD we suggested a new unit (perhaps called the 'well-being unit' or the 'quality growth unit') to co-ordinate horizontal initiatives, accountable to an overarching committee representing central government offices. We also recommended more interaction with external parties, such as academics, who are less constrained by the technocratic nature of the OECD's mandate.
- ▶ *New approaches to analysis and policy development.* Dealing more robustly with multiple objectives and the trade-offs between them requires new approaches to policy analysis, and, at least in the short term, a willingness and ability to innovate when the results of policies cannot be accurately modelled. For instance, at the OECD we recommended building on the approach adopted in their recent *Austria Economic Survey*, and the reports published by the Development Centre, which combine formal economics with other forms of analysis, as well as continuing work to develop a single numeraire for the evaluation of trade-offs between different dimensions of well-being. At the Welsh Government and the British Business Bank, we recommended the development of screening processes to help integrate new indicators into policy development and decision-making. Other processes designed to stimulate innovation will be needed.
- ▶ *The adoption of Beyond GDP indicators to measure key goals*, by local and national governments and the EU as part of its mid-term review of the Europe 2020 targets and possibly the European Semester process. This would be strengthened by harmonisation with the UN's SDGs.



Some possible projects in this area could include:

- ▶ Mapping the existing landscape: how (and to what extent) are different countries working towards integrated and innovative policymaking, and what more needs to be done? This would be the foundation of a community of practice.
- ▶ Research/outreach projects to identify innovative policy making initiatives which could support Beyond GDP policy making but may not yet be doing so, and to connect these with the Beyond GDP community.
- ▶ Research to identify the impact which existing 'Beyond GDP compliant' policy tools are having (e.g. the New Zealand living standards framework).
- ▶ Identifying successful government organisational innovations which could support Beyond GDP (e.g. the Hungarian Ombudsman for Future Generations, the UK Well-being Policy Unit, or Korea's success in maintaining a commitment to well-being across a change of administration), and advocating these models in other jurisdictions and contexts.
- ▶ Engaging with EU institutions to influence the Europe 2020 mid-term review, the European Semester process, and Europe's interactions with the UN's SDG process.

It is also important to demonstrate how Beyond GDP indicators will lead to different policy outcomes from conventional policy, otherwise the narrative we suggest will lack substance. In our action research case study with the OECD, we recommended the identification of key policy areas where there might be trade-offs between conventional economic objectives and Better Life Index outcomes, which could be used to pilot new forms of policy analysis which consider the interactions between different domains – for example, the links between transport policy, housing policy and spatial planning policy.

In Germany, we recommended that the BMU and Länder authorities identify the policy implications of the National Welfare Index and Regional Welfare Index respectively, showing how they might translate into new policy priorities.

Attendees at BRAINPOoL's final conference workshops strongly endorsed the need to demonstrate different policy outcomes more systematically and disseminate these messages directly to policy makers. Some possible projects might include:

- ▶ Further work along the lines of the case studies we examined at the final conference (see the 'labour markets' and 'green economy' sections in Annex 1) illustrating the implications of a 'Beyond GDP' approach for specific policy areas – including work to disseminate these findings to policy makers and advocate for the recommendations they point towards.
- ▶ More generally translating well-being evidence into simple, clear messages about how a well-being approach to policy would be different: e.g. 'Three key lessons from the well-being evidence' (for instance, think about social relations, side effects, and preventative policy making).
- ▶ Working with politicians to identify the specific policies they would want to introduce in line with these two outputs and identifying the indicators that would measure the success of these policies.
- ▶ Identifying Beyond GDP indicators that can attract support from parties and then getting these adopted as headline indicators (see Recommendation 2).

## *5. Develop strategies for overcoming institutional resistance (Political parties, NGOs)*

Significant change always encounters resistance; as any competent change manager knows, advocates of change must have a strategy for neutralising that resistance. We did not fully develop

specific recommendations for this in BRAINPOoL; it is, however, vital. Some initial suggestions discussed at BRAINPOoL's final conference include:

- ▶ More concerted outreach efforts by the Beyond GDP community, in particular to economic and finance ministries. Participants at our workshops pointed out that though these can often be treated as the 'enemy' by Beyond GDP advocates, there are often opportunities to build alliances and shift perspectives from the inside.
- ▶ Work to develop theoretical foundations for Beyond GDP (e.g. see Recommendation 2) – some participants felt that this would be crucial to overcoming resistance.

#### **6. *Strengthen the 'indicator entrepreneur' role (Official and unofficial statisticians)***

Those responsible for indicators (whether statisticians, policy makers, politicians, or independent watch dogs) need to be alert to opportunities to promote the use of new and existing indicators. In other words they should act as 'statistical entrepreneurs'. Since Beyond GDP is both a political and a technocratic problem, it also necessitates much closer collaboration between statisticians and democratic representatives. At national level this allows indicators to better match objectives, while at local level it can help achieve the right balance between sophistication (the priority of the experts) and feasibility (the priority of the representatives).

For instance, in Rotterdam we recommended that the officials responsible for the Sustainability Profile work closely with those responsible for the planning process so that the Profile becomes embedded into that process. In Wales, we recommended that the government's sustainable development unit work with the independent Sustainable Development Commissioner to ensure that the indicator set facilitates the oversight role of the Auditor General. In Chrudim we identified the crucial role played by the LA21 co-ordinator in overcoming barriers – he or she is effectively the indicator entrepreneur - and we recommended that the authorities ensure that a strongly motivated person is appointed and then given sufficient powers.

Some future projects might include:

- ▶ Creation of 'safe spaces' for iterative discussions about priorities between policy makers and statisticians/officials – recognising that the boundary between political priority-setting and technocratic policy implementation is not clear cut, and that 'measurement is political'. As well as helping to facilitate more integrated and innovative policy making (see Recommendation 4), this could help to create the space for 'indicator entrepreneurs' to influence political priorities.
- ▶ Capacity-building for statisticians and indicator producers to help develop their role as agents of change (this might link to the project identified under Recommendation 2 regarding media training for indicator producers).

#### **From recommendations to actions: putting projects into practice**

The day after the BRAINPOoL final conference, a workshop was held, attended by some of those participating in the final conference, to begin developing an action plan for taking forward some of the recommendations. Attendees at the workshop committed to taking this plan forward, working groups were formed, and it was agreed that there was value in co-ordinating the work of these groups. The new economics foundation (nef), one of the BRAINPOoL partners, undertook to provide the secretariat for the groups.

Since a key lesson of the project and the workshops was the need for indicator specialists to become more outward-facing and engage strategically with influential actors, the working groups were structured according to the key audiences for new projects. All the groups are designed to get Beyond GDP indicators used in policy making. However while policy makers and politicians are the decision makers, they are influenced by others, and therefore these others also need to be influenced.

The groups were:

- The EU institutions and through them, the UN SDG process
- National governments and politicians
- Local government and politicians
- The public<sup>12</sup>
- The media
- Business
- Academia<sup>13</sup>

In addition to external-facing activities of this kind, a key next step identified throughout our discussions was that agents of change – the Beyond GDP community – need to have more opportunities to meet each other, learn from successes and failures, and collaborate on projects to bring Beyond GDP into the mainstream. This is an overarching recommendation which underpins and cuts across all of the other activities discussed in this document. We envisage that the network itself will provide a crucial platform for building and developing this community.

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<sup>12</sup> One group was set up to serve both these audiences, although in due course this may split into two groups

<sup>13</sup> A group was set up to co-ordinate work on theory; it is assumed the immediate target for this group will be academia

## Annex 1: Developing a Beyond GDP narrative and integrated policy making

This Annex was written by Charles Seaford and Christine Berry of the New Economics Foundation (nef) for the BRAINPOoL Final Conference (Paris, 24<sup>th</sup> March 2014) which brought together 100 statisticians, economists, academics, policy makers, civil society representatives and other key stakeholders to explore ways of overcoming two of the barriers identified above: the need for a coherent, politically compelling narrative, and the need for more integrated, innovative approaches to policy making.

This paper was designed as a briefing for the discussion. It is exploratory not definitive, designed to stimulate questions and debate. Many of the examples are UK based, but we believe they are illustrative of issues that are relevant across Europe – arguably the UK is an extreme example of the GDP (as opposed to Beyond GDP) approach to policy.

We will explore these challenges through the lens of two specific policy areas: labour markets and the green economy. These have been chosen to illuminate the way the challenges apply to the well-being and sustainability dimensions of Beyond GDP, respectively. We will then develop proposals for initiatives that will help overcome these barriers in practice and may be undertaken by those present, potentially working with others. In the rest of this paper we tentatively suggest some solutions and identify some questions for discussion at the workshop.

### 1. The policy issues: two case studies

#### 1.1 Labour market policy

Conventionally, labour market policy aims to maximise employment and productivity; the implicit assumption is that this will in turn maximise growth and well-being.<sup>14</sup> The accepted mechanism for achieving this is to ensure that the market for labour operates ‘efficiently’. This set of assumptions is made explicit in a recent report on employment law by the UK Department for Business, Innovation & Skills: “Flexibility goes hand in hand with the Government’s ambition to maximise participation in the labour market. Widening participation gives people more opportunities to enter and succeed in the labour market and maximise their well-being... [flexible labour markets] should encourage employers to create new jobs, supporting enterprise and growth.”<sup>15</sup>

How would a ‘Beyond GDP’ approach to labour market policy differ from the conventional approach? In this example, **we consider how labour market policy might be different if explicitly driven by the aim of maximising well-being.**

European research on job-related drivers of subjective well-being has identified some consistent trends:<sup>16</sup>

- ▶ *Unemployment*, particularly long-term unemployment, has a major negative impact on well-being which far exceeds the impact of lost income. Youth unemployment has been found to have a ‘scarring effect’ on future well-being which persists decades later.<sup>17</sup>
- ▶ *Job insecurity* is a major job-related determinant of well-being. European data suggests that the impact of being on a temporary contract is half as large as that of being unemployed. Moving an unemployed person on to a temporary contract may be *less* beneficial for well-

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<sup>14</sup> See for example the OECD’s Restated Jobs Strategy 2006

<sup>15</sup> BIS, 2013, ‘Employment Law Review update’

<sup>16</sup> See for example Saamah Abdallah & Laura Stoll, 2013, ‘Quality of life in Europe: Subjective well-being’ (Eurofound)

<sup>17</sup> Bell & Blanchflower 2011, cited in Abdallah & Stoll 2013 (op cit)

being than moving someone on a temporary contract to a permanent contract. Perceptions of job security also have significant impacts on well-being.

- ▶ *Income* matters to well-being, although with diminishing marginal returns, and with much of this impact attributable to the effects of material deprivation on the poorest in society.
- ▶ *Work-life balance* affects well-being: for example, those working very long hours tend to have significantly lower well-being, while those working part-time *out of choice* usually have higher well-being (though this is not true of part-time workers in general). Being able to work flexibly also appears to have a positive impact on well-being.
- ▶ Having a *sense of control* at work positively influences well-being. Other job-related factors relevant to well-being include skill use, social relationships at work and managerial behaviour.

We can already see that making well-being the explicit, rather than implicit, aim of labour market policy, and using indicators such as subjective well-being to assess this, does provide a meaningfully different perspective from the conventional approach. Although maximising employment is clearly still an important aim of labour market policy, it is not the only one: **the ultimate aim is the provision of 'good jobs', characterised by decent pay, security, work-life balance and good working conditions**. In our action research case study on proposals for a British Business Bank, we suggested a framework of indicators that might flow from an explicit objective of promoting 'good jobs'. Given the strong evidence that relative income is a more important determinant of well-being than absolute income (at least above a certain threshold), **reducing inequality might also be an important objective under this approach**.

Of course, conventional labour market policy is not unconcerned with the provision of good jobs. However, where there is a (real or perceived) trade-off between the number of jobs and the quality of jobs, the dominance of employment and growth as objectives tends to determine how these trade-offs are resolved. To make this more concrete, we can consider these trade-offs in relation to three policy problems.

- ▶ *Low pay*. There is a commonly perceived trade-off between ensuring decent wages and reducing unemployment (although the nature of this trade-off is contested, with some Keynesian economists arguing that higher wages actually support employment by boosting aggregate demand, at least in domestic sectors). The OECD's guidance on labour market policy recommends that countries "ensure that minimum wages are set at levels that do not harm job creation significantly".<sup>18</sup> However, a well-being perspective might include that a certain level of well-being risk from increased unemployment was justified by the significant well-being benefits of better pay. **Well-being evidence would allow this trade-off to be analysed explicitly** based on the short and long term impacts on pay and employment, the size of the resulting impacts on well-being, and the number of people affected. This might lead to different decisions from the conventional approach.
- ▶ *Job security*. Under the conventional approach to labour market policy, employment protections are generally seen as inefficiencies to be reduced in order to maximise jobs and growth. However, the overwhelming evidence on the importance of job security to well-being provides a different perspective. Of course, views on what this means in practice will differ widely. Some might argue that the promotion of flexible labour markets is fundamentally flawed and that the evidence justifies re-regulation. Others argue that employment protection, if too strong, can create an 'insider-outsider' problem, in effect two labour markets, one for secure and one for insecure employment, leading to high well-being inequality. Still others suggest this dilemma can be resolved through so-called 'flexicurity' models, which focus on 'work security' rather than security of tenure in individual jobs – for example, through generous unemployment benefits,

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<sup>18</sup> OECD, 2006, 'Restated Jobs Strategy'



access to ongoing training, and active labour market policies to help people find new jobs. Denmark, widely regarded as an exemplar of this approach, reports high levels of well-being and relatively high levels of perceived security.<sup>19</sup> This contrasts with jurisdictions like the UK, which emphasise deregulation without these additional policies, and where workers report feeling relatively insecure.<sup>20</sup> However, this model relies on higher taxation.

- ▶ **Working hours.** On the face of it, well-being evidence might suggest a case for promoting shorter working hours. If anything, conventional economic policy seems more inclined to promote *longer* working hours in the service of increased output and competitiveness. Theoretically, shorter working hours could lead to a more equal sharing of work, and thus to reduced unemployment, as well as to improved productivity. On the other hand, it would also reduce incomes, and some argue it would actually *reduce* productivity and competitiveness and hence employment. However, where maximum working weeks have been introduced or standard working weeks shortened, these trade-offs have rarely been analysed from a well-being perspective.

## 1.2 Green Economy Policy<sup>21</sup>

The aim of green economy policy is to ensure that in future the economy will be able to operate within environmental limits. In theory, at least, everyone agrees with this. In practice, steps to advance the shift to a green economy are constantly hampered by the relatively low priority it has when compared with growth.

This is something of a simplification, but conventionally, the economics department's objective is growth and consumer welfare, while the environment department's objective is to promote the shift to a green economy. **To the extent that there are synergies ('green growth'), this shift happens. However sometimes there are trade-offs** – for example because of the costs of green regulation to business, or the potentially very substantial costs to taxpayers and consumers of investment in green infrastructure and technology: the OECD calculates that the cumulative investment in green infrastructure required for decarbonising the global economy is \$36-42tn until 2030, or \$2tn a year.<sup>22</sup> At this point, the economics department tends to win. As one economics department official said to us: "Obviously we don't want to kill growth for the sake of green." And in both Germany and the UK, finance ministers have been vocal opponents of stronger environmental regulation within government, based on the view that it will be a drag on growth.<sup>23</sup>

Growth is desirable not, of course, for its own sake but because it is believed to deliver welfare (as set out in the diagrams on page 12-13 of the main Report) – and, perhaps more important, its absence has been associated with quite severe reductions in welfare. Politicians therefore believe that the electorate will not accept green policy that endangers it. This means **the existence of the trade-off as currently framed presents an unsolvable problem**: if we don't achieve the shift to a green economy we are in serious danger of suffering environmental catastrophe; however the costs of doing so are unacceptable to the electorate.

Four courses of action then become possible: ignore the future; make unrealistic demands on politicians; focus on green growth; and attempt to reframe the problem so that it becomes solvable. The first two are obviously not serious options (even if they are often actively pursued). The third option, green growth, may be a viable strategy in the short term as investment is made in new

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<sup>19</sup> European Commission, 2007, 'Towards Common Principles of Flexicurity: More and better jobs through flexibility and security'

<sup>20</sup> See for example the European Social Survey 2010

<sup>21</sup> This section is informed by work nef has participated in on a parallel FP7 project involving reviewing 100 papers and conducting 50 expert interviews.

<sup>22</sup> Kaminker, C. & Stewart, F. 2012. 'The Role of Institutional Investors in Financing Clean Energy.' OECD Working Papers on Finance, Insurance and Private Pensions, No.23, OECD Publishing

<sup>23</sup> Charles Seaford, 2013, 'Report on results, action research: Barriers to the use of Beyond GDP indicators in policymaking and how they can be overcome and are being overcome'. Deliverable 3.1, Brainpool project

infrastructure and national output gaps are narrowed. However it still involves a fall in consumption compared with business as usual, and it is not obvious that it is a viable long term strategy. Hence the fourth course of action needs to be considered: **the problem becomes how to design the economy and society so that the trade-off becomes manageable.**

## 2. Development of a compelling narrative

There is unlikely to be much progress on either of the two areas just discussed if decisions are constrained by the existing 'jobs and growth' narrative and the political priorities that flow from that. We therefore have to think about the narrative before getting into the detail of policy process.

### 2.1 The nature of the challenge

#### *What we mean by a narrative*

**A narrative has to win votes. But it is more than a slogan – it is an explanation (often implicit) of the way the world is,** an account of why good things and bad things happen, which therefore justifies the political programme of a party. It may make a direct promise of good things – but it will also provide the voter with good reasons for believing the promise, because after all politicians' promises are notoriously unreliable.

A narrative is not the same as an economic theory, but **it needs to be at least consistent with a theory**, not least because it will need to attract the endorsement of commentators in the press. There will be at least some members of this group who will only endorse a narrative if they see the fit with theory. For example, Ronald Reagan had a slogan – 'cut taxes' – that formed part of a broader narrative: the world would be a better place if we could get government off people's backs. This was at least consistent with neo-liberal theory, and the version of neo-classical economics underpinning it.

**The most effective narratives also provide guidance to officials**, simplifying assumptions that make the job easier. For example, civil servants working for the Thatcher government in the 1980s knew that the priorities were market liberalisation and cutting taxes. This made it possible to delegate tasks to relatively junior officials.

It goes without saying – almost – that narratives are not entirely rational. For example, the idea that a country should not spend beyond its means is very popular, but this popularity is not based on a rejection of Keynesian arguments amongst the bulk of the population, but on a perceived analogy between countries and households.

The dominance of GDP is difficult to challenge in part because it is directly associated with a dominant narrative: the credibility of the indicator and of the narrative are mutually reinforcing. To compete, Beyond GDP indicators need to offer a compelling alternative – one which is clear not just what it is against, but also what it is for, and what is the route to get there.

#### *The growth narrative and its theory*

**GDP is associated with the narrative that growth will deliver better lives for most people.** This is part of a broader narrative that markets, consumer choice and consumption itself all work to produce well-being, what we want in life.

Underpinning this are the assumptions made explicitly in orthodox economic theory that unless we show otherwise, consumption decisions reveal preferences and welfare depends on satisfying those preferences (i.e. consumers are rational maximisers of their own utility). Efficient markets will therefore generally optimise overall welfare by maximising output and allocating that output where it will have most utility. It follows that maximising GDP while ensuring markets work efficiently will

maximise welfare, and government's role should be limited to redistribution and correcting market failures.

In more detail, efficient markets lead to:

**Allocative efficiency (efficient exchange):** *market prices* equilibrate supply and demand so that goods are produced and allocated where they will have maximum utility.

**X efficiency (efficient production):** *competition* incentivises firms to maximise their productive efficiency or risk losing out to more efficient rivals. This is good for consumers, since it keeps prices low, and good for the economy as a whole since it produces the greatest output at the lowest cost.

### *Challenges to the narrative*

Of course, **this theory can be and often has been challenged on its own terms**. It's not just that there are market failures – everyone acknowledges that. It is rather that the **market failures are so pervasive that in some broader contexts the theory is not helpful**, even if it remains useful for analysis of certain more narrowly defined problems (usefulness rather than truth being the proper test of this kind of theory). For instance, as behavioural economists and neuro-economists have shown, imperfect information and irrational consumer behaviour are pervasive features of markets, and so there is no reason to think that markets will usually deliver efficient allocation. Similarly, it can be argued that the various threats to sustainability constitute such an enormous and system-wide externality that there is no reason to suppose that isolated interventions will correct it, leading to continuing allocative inefficiency.

### *Building a new narrative*

But it is not enough to challenge the existing narrative on its own terms. Proponents of Beyond GDP also need to articulate a new story about how economic policy can deliver progress and well-being, which gives Beyond GDP indicators a solid political and theoretical foundation.

As noted in the main report, this is work still to do. Our research found that **'beyond GDP' is not seen to be underpinned by a coherent, electable narrative about the economy**. The politics of well-being to date are a good example of this. In 2006, David Cameron, then leader of the UK opposition, spoke about measuring 'general well-being' in the following terms: "We should be thinking not just what is good for putting money in people's pockets but what is good for putting joy in people's hearts."<sup>24</sup> He positioned well-being outside the sphere of economics, making clear that policy on the latter would continue on traditional lines: "government should not regulate flexible working" and that intervening in labour markets would "produce unintended consequences that can end up damaging our competitiveness".<sup>25</sup> This framing is reflected in the way the UK Office of National Statistics' well-being data tends to be reported in the media, as 'Cameron's happiness index' and as something not entirely serious.

This presents Beyond GDP with a political problem, particularly during difficult economic times. Both **well-being and sustainability are often seen as 'nice-to-haves'**, luxuries for the good times which become less politically salient during a recession. This was reflected in the recent comment of a UK Minister that "since we embarked on this journey [of measuring well-being], lots of other short-term pressures have piled on to the system"<sup>26</sup> and in the comment of another minister, sympathetic to the

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<sup>24</sup> David Cameron, 2006 speech to Google Zeitgeist conference.  
<http://www.theguardian.com/politics/2006/may/22/conservatives.davidcameron>

<sup>25</sup> Google Zeitgeist speech, as above

<sup>26</sup> Nick Hurd, speaking before the Environmental Audit Committee:  
<http://www.publications.parliament.uk/pa/cm201314/cmselect/cmenvaud/c59-iii/c5901.htm>

agenda, that “the public don’t care about well-being”.<sup>27</sup> It also **limits political support for Beyond GDP among those who might benefit from it the most**: as noted in our case study on the German National Welfare Index, the recent drop in public support for Beyond GDP measures in Germany has been sharpest among the least well off.<sup>28</sup> And yet, as we saw above, a well-being approach to labour market policy would if anything place more emphasis, not less, on tackling low pay and income inequality.

In the rest of this section we start to assemble the building blocks of a narrative that might address this problem. We do not have a solution here: BRAINPOoL was not a project initially focussed on political narrative. Our aim here is to stimulate thoughts about what a solution might look like, and the kind of work that will be needed to develop one.

We have tackled this by starting from two opposite ends of the process. First there are a number of theoretical positions – too complex to form a popular narrative themselves, but, like neo-classical economics, potential theoretical underpinning for such a narrative. We describe some of these briefly below. The test here is (a) the fit between the positions and the broader Beyond GDP agenda which we described at the beginning of this document, including better labour market and green economy policy, and (b) the potential for these positions to translate into something popular and politically compelling. Our second starting point is polling data and other information about popular attitudes towards the two areas of policy we have reviewed (labour market policy and green economy policy), the test here being whether we can find a narrative with popular electoral appeal that provides both support for Beyond GDP policies, and guidance to policymakers on these policies. Ultimately these two ends need to meet in the middle.

## 2.2 Alternative theoretical positions

We offer the following, not as a comprehensive list, let alone as an attempt to construct a new theory, but, we hope, as a stimulus to discussion about the kind of work needed to develop an effective narrative.

**Social democrats (and socialists) emphasise the legitimate and effective role of government** in delivering economic outcomes for the good of society. This is not just a matter of intervening in markets with regulations and incentives, but of doing whatever it takes, of the state acting as entrepreneur where this is necessary. In other words there is a confident belief that ‘yes we can’ – that **collective action can deliver the outcomes that we all want**.

*Social democrats* (and socialists) would also argue that that free-market capitalism inevitably tends towards inequality and thus that growth may not translate into a rise in general living standards. A recent example is Thomas Piketty<sup>29</sup> but Galbraith argued over 50 years ago that **in societies which have achieved a certain level of material development, distribution becomes much more important than increasing output in maximising well-being**.<sup>30</sup> In addition, a recent IMF report concluded that inequality in turn undermines growth itself, turning the old trade-off (we tolerate inequality because it produces growth) on its head.<sup>31</sup>

Many **theorists of financialised capitalism**, from Schumpeter and Keynes to Minsky and beyond, have emphasised the **role of debt-based money creation by banks as both a driver of growth and an inevitable source of cyclical instability**. Minsky for example suggested that banks will tend to over-extend leverage during good times to the point where only rising asset prices are covering

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<sup>27</sup> Private conversation

<sup>28</sup> Globescan, 2013, ‘Public backing for going Beyond GDP remains strong’, cited in Seaford 2013 (op cit)

<sup>29</sup> Piketty, 2014, ‘Capital in the Twenty-First Century’ (Harvard University Press)

<sup>30</sup> Galbraith, 1958, ‘The Affluent Society’ (Penguin)

<sup>31</sup> Ostry et al, 2014, ‘Inequality, Redistribution and Growth’, IMF Staff Discussion Paper

repayments. At this point asset prices can lose touch with reality as speculative bubbles inflate. Even a small shock to the system will then produce a wave of defaults and a downward spiral. These theories are particularly relevant to 'post-crash' Beyond GDP narratives which seek to explain why the pursuit of growth for its own sake may fail to create real economic value or improvements in living standards, whilst also leading to instability. Particularly given the evidence on the negative well-being impacts of insecurity, **this might point to an approach to economic policy which privileges stability over growth.**

**Ecological economists** emphasise the natural world (or 'land' in classical as opposed to neo-classical economics) **as a distinct factor of production**, unlike neo-classical economics which elides land and capital. Indeed, for ecological economists, the natural world is the most fundamental factor, the ultimate source of all inputs.

**Feminist political economists** emphasise the **'social reproduction' which occurs in the home** and underpins the continued availability of labour - operating according to laws of reciprocity and co-operation as opposed to market exchange and competition, with gender relations paramount.

**Subjective well-being advocates** point out that **survey data provide a far superior source of knowledge about what maximises well-being than consumption choices.** Thus in economics, well-being so defined could potentially replace welfare as traditionally defined as the outcome to be maximised given scarce resources. Beyond a certain level, income is a less important driver of well-being than other socially determined factors (social relations, employment, health, job quality including factors such as autonomy and control, job security, working hours and so on).

**Communitarians** also emphasise **social relations**, seeing human beings as fundamentally social and ethical creatures rather than the individual rational maximisers of neoclassical theory, and arguing that welfare must be understood in this context.

**The capabilities approach** (associated in particular with the work of Amartya Sen and Martha Nussbaum) focuses on people's 'substantive freedoms' to live a life they have reason to value. This encompasses a concern not just for material resources, but also opportunities to make use of those resources, for example to live a healthy life or to participate in politics or society. This requires that **people have the resources and capabilities they need to function effectively.** This approach informed the creation of the Human Development Index (HDI).

A wide range of commentators, from **occupational psychologists to Marxists**, challenge the implicit privileging of consumer over producer identities in orthodox economics (and indeed explicit privileging in a recent speech by the Permanent Secretary (head of department) at the UK Treasury).<sup>32</sup> Instead they put **worker interests, including fulfilment, at the heart of their account of social and economic progress.**

**Institutionalists** reject the idea that markets are the fundamental mechanism through which individual preferences are aggregated into collective decisions (NB this is a different view of how the world *is* in reality, not just how it should be). Instead they **draw attention to the interaction between institutions such as firms, governments and social norms** and the power relations that exist between these. Employment contracts reflect these interactions, rather than individual negotiations between free agents.

### 2.3 Labour markets and a popular narrative

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<sup>32</sup> Speech by Nick Macpherson, 15 January 2014, 'The Treasury view – a testament of experience'. <http://www.mileendgroup.com/event/reflections-british-economic-policy-1970s-2/>



We have already discussed what the objectives of a well-being oriented labour market policy might be. We want to suggest here that this example **points towards a more compelling political narrative about well-being** than the happiness story described above, one which is about safeguarding everyone's living standards and quality of life - **about building an economy that is more equal, more secure, and richer in good jobs.**

Korean economist Ha-Joon Chang (writing in a UK context) describes the challenge:-

*"Most Britons have come to see themselves mainly – or even solely – as consumers, rather than workers. The dominant free-market ideology has convinced them that consumption is the ultimate goal of life, and that their work is only a means to gaining the income to buy the goods and services to derive pleasure from. At the same time, the decline of the trade union movement has made many people believe that being a "worker" is something of an anachronism. As a result, policies are narrowly focused on generating higher income, while any suggestion that we spend money on making jobs more secure and work less stressful, if it is ever made, is dismissed as naive. If we are to deal with the "general living crisis" we need to radically change our perspectives on what is a good life."*<sup>33</sup>

This is clearly a big challenge, however, polling data suggests some first steps. **There appears to be a decoupling of voters' concerns about 'the economy' from their feelings about their personal economic circumstances.** This has existed for some time – in 2009 Nicholas Sarkozy deplored the "the gap between people's perceptions of their own day-to-day economic well-being and what politicians and statisticians are telling them about the economy".<sup>34</sup> Similarly, recent positive growth figures appear to have made many European voters feel more optimistic about the economy even though their personal expectations have not changed.<sup>35</sup> European polling also suggests that jobs are consistently high on voters' list of concerns – and that this is separate from concerns about 'the economy', which generally seem to relate to levels of growth.<sup>36</sup> One US study found that perceived job insecurity was a distinct determinant of voting behaviour, separate from voters' assessment of the overall state of the economy.<sup>37</sup>

This may open up political space for a new narrative. UK opposition leader Ed Miliband has begun to do this in recent months by focussing on **the 'cost of living crisis'** and falling real wages. As UK polling experts Ipsos Mori note, this has been **effective in changing the terms of the public debate** about the economy, with the focus shifting from whether the economy is growing to whether life is getting any better for most people.<sup>38</sup> Of course, this narrative is still focussed mainly on the cost of living, but the debate could broaden beyond this to encompass other job-related determinants of well-being as discussed above.

However as we have already argued, any such narrative has to at least fit an underlying theory. It cannot simply be overlaid onto an orthodox economic theory – since according to the latter unless a specific market failure is identified, new indicators and new policy responses are likely to be redundant or worse. The relevant policies to maximise good jobs may then be seen as excessively interventionist, impossibly complex to operationalise, or likely to generate worse outcomes than markets left to their own devices (for example, by creating market distortions and rigidities which reduce job creation and growth). All of these problems were cited in one form or another during our case study on the proposed British Business Bank.

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<sup>33</sup> Ha Joon Chang, 22 Dec 2013, 'There's a new jobs crisis – we need to focus on the quality of life at work' (Guardian)\_

<sup>34</sup> See [http://ec.europa.eu/environment/beyond\\_gdp/key\\_quotes\\_en.html](http://ec.europa.eu/environment/beyond_gdp/key_quotes_en.html)

<sup>35</sup> Eurobarometer Autumn 2013; Ipsos Mori, 'Understanding Society, December 2013'

<sup>36</sup> See for example Eurobarometer Autumn 2013

<sup>37</sup> Mughan & Lacy, 'Economic Performance, Job Insecurity and Electoral Choice', British Journal of Political Science, Vol. 32, No. 3, (Jul., 2002), pp. 513-533

<sup>38</sup> Ipsos Mori Almanac

Our suggestion is that **it will be possible to create a theoretical underpinning for the kind of popular narrative that appeals to people's concerns**, perhaps using one or more of the positions described in the previous section, perhaps drawing on other ideas.

## 2.4 The green economy and a popular narrative

The green economy faces political problems as an agenda to the extent that it is perceived as a luxury for good economic times or a middle class preoccupation. **Polling suggests that the environment has been dwindling as a concern in most of the developed world** in recent years, having peaked during the 2000s when debates about climate change were at their height.<sup>39</sup> (However there are some country variations – for example, in Sweden, climate change is rated the fourth most important issue at national level, with 21% of people citing it as one of the two most important issues.<sup>40</sup>)

The language of 'protecting the environment' suggests something outside of the human sphere, and essentially altruistic. Environmental issues are often also presented in a negative light, emphasising environmental limits and implying the need to make sacrifices, rather than presenting a positive vision of the green economy. There is debate about the most politically effective way to communicate green issues, with some arguing that it is important to 'start where people are', by emphasising the economic benefits of the green economy,<sup>41</sup> and others arguing that doing this reinforces selfish motivations at the expense of the more communitarian values which will need to be inculcated in order to build an effective political constituency behind environmental protection.<sup>42</sup> However, most commentators agree that the environment needs to be presented as something less distant and irrelevant to people's everyday lives, in a way which captures our dependence on it.<sup>43</sup>

As such, **the concept of 'quality of life' is likely to be crucial to successful narratives about the green economy**, and links to broader narratives which emphasises quality rather than simply quantity of growth. The Welsh government, for which we conducted one of our seven action research case studies, commissioned the Climate Outreach and Information Network to develop a new narrative around the government's sustainable development commitments. The report,<sup>44</sup> which drew on public engagement activities and a review of existing literature, suggested that the issues should be framed in terms of 'quality of life – now and in the future', employing broader concepts of 'wealth' and 'progress' (for example, "In Wales we value other kinds of wealth"), and **replacing language of 'growth' with that of new jobs, securing, protecting, improving and building, focussing on positive aspects of a better life**. In talking about the environment itself, they suggest avoiding 'environmental' jargon such as 'One Planet Living' and 'environmental limits', instead drawing on Wales' heritage to present the environment as place (the Welsh landscape) and as source of economic prosperity (the resource base on which Welsh industry depends). As this highlights, in order to resonate, it is likely that successful **political narratives around the green economy will need to be context specific, drawing on local experiences** to make the concept more concrete.

Interestingly, the report also found that language of taking responsibility for the long term tended to resonate with voters, who felt that "governments often go for the cheapest short-term options even if they are far worse in the longer term". Even as it has intensified economic concerns at the expense of social and environmental ones,<sup>45</sup> the recession has also heightened concerns about the future: for example, according to YouGov, four out of ten British people believe today's children will have a worse

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<sup>39</sup> Globescan Radar 2013

<sup>40</sup> Eurobarometer 2013

<sup>41</sup> Eg Michael Jacobs, 'Green Social Democracy', Fabian Review, Winter 2012

<sup>42</sup> E.g. Crompton, Brewer and Kasser 2010, 'Values, framing and the challenge of climate change'

<sup>43</sup> E.g. Lakoff, 2010, 'We are the polar bears: what's wrong with the way the environment is currently framed'

<sup>44</sup> COIN, 2013, 'Sustainable development narratives for Wales: A framework for government communications'

<sup>45</sup> See e.g. Eurobarometer Autumn 2013: "The economy continues to dominate the concerns of Europeans at all levels"

life than theirs.<sup>46</sup> This calls into question the basic promise of progress which underpins the conventional narrative around GDP: as Ipsos Mori put it, “the old assumption that our children will have a better quality of life than us has been overturned.”<sup>47</sup>

Nonetheless, it is of course true that problems of the future can appear distant and thus be difficult to create a political constituency around. Other research suggests that voters will not respond to appeals to the long term and that focussing on short-term improvements is an electoral imperative. One answer may be to **emphasise the concept of security**. Although our tendency to discount the future is well-documented, it is also well-documented that most people are highly loss-averse and thus often risk-averse (and are prepared to pay a lot for insurance). Security is a powerful concept politically: for instance, unemployment, crime and immigration – all concerns driven by feelings of insecurity – consistently feature high on lists of voters’ concerns in most European countries.<sup>48</sup> After the floods of 2014, UK opposition leader Ed Miliband publicly referred to climate change as a ‘national security crisis’.<sup>49</sup> There are some obvious specific applications of this idea – for example, in debates about the role of renewables in ensuring energy security – but it also has broader potential, for example in **contrasting risky, short-termist growth strategies with the economic stability that comes from the shift to a green economy**.

This is a potentially popular story – and has strong overlaps with the labour narrative we started to develop, for example in the emphasis both place on (environmental or job) security – but again it needs to be underpinned by a theoretical position.

#### **Developing a compelling narrative: key conclusions**

- **Beyond GDP has too often been linked to politically weak messages around ‘happiness’ or ‘environmental limits’,** and is seen by policymakers as lacking a theoretical foundation to compete with the strong neoclassical narrative which underpins GDP. These are two pillars of the same problem: proponents of Beyond GDP must articulate a clearer and more compelling alternative story about economic progress and the role of policy in achieving it.
- In relation to labour market policy, a well-being approach could be framed in terms of **good, secure jobs, greater equality, and decent living standards for all** – emphasising that **we cannot rely on markets and growth to deliver these outcomes**, and that government policy can and should shape them for the better. A well-being approach would recognise that our quality of life is not just about what we consume but also about good work, dignity and good social relations.
- In relation to the green economy, sustainability approaches could be framed in terms of **quality of life now and in the future, and security for the long-term**. They might argue that the 2008 crash shows the pursuit of growth at any cost produces instability and inequality without making most people better off, and that economic policy should prioritise stability and security – including environmental security – instead of risky growth. The well-being narrative outlined above would also support this approach.

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<sup>46</sup> <http://yougov.co.uk/news/2014/01/15/over-half-parents-believe-family-life-harder-it-wa/>

<sup>47</sup> Ipsos Mori Almanac 2013

<sup>48</sup> See Eurobarometer surveys

<sup>49</sup> <http://www.theguardian.com/politics/2014/feb/15/ed-miliband-stark-warning-climate-change>

### 3. Integrated, innovative approaches to policy

In the words of the OECD Secretary General “Progress is a multi-dimensional concept that goes beyond GDP” and as we argued on pages 12-13 of the main report, the whole point is to use a *range* of variables in an integrated economic policy process in order to better manage the trade-offs between these dimensions. A new narrative as just discussed opens up the political space to do that – but even given this space, this new approach will still require the ability to manage complexity without recourse to traditional economic heuristics. The result will be process challenges, and these may require new analytical tools and organisational structures. As in the narrative section, we do not have detailed solutions, our aim here being to lay out an agenda.

#### 3.1 Policy process

##### *General lessons*

The existing narrative – that maximising growth and market efficiency is the way to maximise welfare – provides a massive simplifying assumption. With this comes a set of heuristics or rules of thumb which help to get the job of policy making done. If we are to change policy priorities and admit more variables, then **we will either have to accept greater complexity or we will have to develop an alternative set of simplifying assumptions**, based on a new narrative (see section 2.2).

Pending the latter, and given that the objective of using Beyond GDP indicators is to stimulate *new* policies and combinations of policies, in the first instance there will be a need to accept greater complexity and uncertainty. (It is worth noting in this context that regardless of the Beyond GDP agenda, the use of excessively simplifying assumptions in policy making, and the lack of openness, has been widely criticised.)<sup>50 51</sup>

**To do this policy makers will need to understand that they are currently making simplifying assumptions**; as one official we spoke to told us, most of them do not realise this. An essential first step would be to include awareness of this in the training of all civil servants concerned with economic policy.

**The next step is to admit more variables into the analysis** - but if we do this it is likely that at first we will find it difficult to predict the effects of new policies (or rather lose confidence in the power of our predictions). Are we really able to model how different economic, societal and environmental factors influence one another over the long term? Are we able to model new policies that have not yet been used anywhere? Are we able to model the effects of different policies when it is likely that it is the *combination* of policies which will determine outcomes, and these combinations will not yet have been tried anywhere? Of course, as already noted, this complexity is merely the result of abandoning simplifying assumptions, and if the latter produce wrong answers it cannot be a reason for clinging on to them.

New and even more elaborate formal models are unlikely to be the answer though, certainly not on their own. Instead we anticipate that economic **policy makers will have to use tools designed to facilitate innovation and integrated policy making, getting a wider range of people round the table** to identify problems, research questions and potential solutions (as is beginning to be practiced in various ‘policy labs’ around the world, mainly in social policy). The resulting approach would rely less on quantitative and more on qualitative methods. In high school terms, it would be more like history and less like maths.

As well as bringing different policy perspectives and priorities to bear on an issue, this also means economic policy makers will have to complement economic analyses with **a more multi-disciplinary**

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<sup>50</sup> Institute for Government, 2011, ‘System stewardship’

<sup>51</sup> Meadhurst 2001, ‘Case study of the governance for sustainable development in the UK’ (OECD)

**approach**, including political economy, sociology, psychology, and history. This could be supported by the provision of dedicated research funding for heterodox economics, national equivalents of the OECD's 'New Approaches to Economic Challenges' project, and concerted programmes by national governments and analytical institutes to recruit new expertise and perspectives into the civil service.

However innovation is not easy in the civil service, given the perceived risk involved in taking a radically new approach to policy (this was raised in the British Business Bank case study among others). UK officials we spoke to even said that the fear of judicial review resulted in 'self-censorship' by policymakers, constraining the use of alternative methodologies such as multiple-criteria analysis which were seen as being problematically subjective and thus potentially difficult to defend in court. As the UK think tank the Institute for Government (IfG) notes, civil servants are often encouraged to innovate 'inside the box', "coming up with ingenious solutions to pre-existing problems".<sup>52</sup> **The policy machine is therefore particularly ill-equipped for system-changing innovation** of the kind associated with Beyond GDP, which is about redefining problems and goals themselves.

The problem was illustrated by an exchange which took place at our workshop in 2013, at which a UK political advisor said that his party was interested in new measures of progress but needed to be told what to measure (presumably by experts such as statisticians and officials); a UK official said that they would not adopt new or unproven measures of progress unless they were endorsed by a credible organisation like the OECD; and the OECD representative said that they were constrained by the political priorities of their member governments (including the UK). A key priority for the Beyond GDP agenda must be to break this impasse by bringing these various actors together.

This may imply a **blurring of the distinction between neutral, official delivery of an efficient policy machine, and political use of the resulting machine to further social and other objectives** – the distinction assumed in conventional models of policymaking. After all the idea of a neutral machine ignores a basic insight of the Beyond GDP agenda – that what we measure is itself political. In the words of American academic Deborah Stone, "The fundamental issues of any policy conflict are always contained in the question of how to count the problem."<sup>53</sup> This potentially implies a new relationship between politicians and technocrats: as the Institute for Government has argued, "more needs to be done to create a 'safe space' in which an iterative discussion about real priorities can take place".<sup>54</sup> Of course this does happen sometimes when good relationships are forged – but it cannot be relied on. More emphasis on this 'iterative discussion' between politicians and technocrats will be needed if significant innovation is to take place.

### *Labour markets*

The labour market example points to the need for diverse perspectives, given the diverse drivers of well-being associated with labour markets discussed above, but also to the **need for new heuristics and simplifying assumptions**.

**In the absence of these, the analysis could become excessively complex.** This is particularly the case when one begins to consider the indirect or second-order effects of policy interventions on well-being. Take any of the three issues identified above and consider not just the immediate impacts (which can be assessed relatively easily) but also the second-order effects over the longer term (via changing pay norms and prices, productivity, employment patterns and so on), as well as indirect impacts via other drivers of well-being, such as health. Policymakers may believe that a full analysis of these relationships would be prohibitively complex. At the OECD, it was pointed out to us just how

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<sup>52</sup> Institute for Government, 2011, 'Making Policy Better'

<sup>53</sup> Stone, 2001, 'Policy Paradox: The Art of Political Decision Making', cited in Institute for Government, 2011, 'Policy Making in the Real World'

<sup>54</sup> Institute for Government, 2011, 'Policy Making in the Real World'



hard it would be for analysts to accurately model the impacts of policies on well-being, given the interactions between those policies and the feedback loops between different aspects of well-being.<sup>55</sup>

There are **two possible responses** to this. **The first would be to reject the whole idea that we can accurately model the outcomes of a complex human system**, or at least that policymakers should rely on such models. Here, **the role of well-being evidence would be in determining high-level policy priorities** – for instance, by highlighting the desirability of greater security, shorter working hours, or reduced inequality – rather than in attempting to emulate conventional economic modelling techniques by developing detailed tools of policy appraisal. **The second approach would argue that, even if only for pragmatic reasons, such tools must be developed if well-being is to seriously challenge conventional objectives** as a driver of policy. Under this approach, what is needed is a more circumspect attitude to the role of modelling, rather than a rejection of modelling approaches altogether. They complement rather than replace judgement and heuristics.

**We tentatively incline to the second view**, not because we think modelling can provide the answers but because it may provide **part of the armoury for changing mindsets and indeed as a step in creating the new heuristics** which will make the complexity easier to manage.

It is true that, in practice (at least outside technocratic institutions like the OECD), **policy is not really made simply and neatly by recourse to models**. For example, the setting of minimum wages is often the result of a qualitative judgement about what is politically and economically sustainable, taking into account a range of factors and types of evidence (as in the process of the UK's independent Low Pay Commission), rather than the outcome of a rigorous modelling process. Even when pursuing conventional objectives, policymakers often recognise that these issues are too complex to be resolved by a model. However, **conventional economic objectives have the advantage of being underpinned by well-developed simplifying assumptions** which provide 'heuristics', or rules of thumb, for navigating this complexity when qualitative judgements have to be made. For instance, if efficient markets maximise job creation and job creation maximises well-being, then deregulation and labour market flexibility will tend to optimise labour market outcomes. **The well-being agenda is not linked to an alternative set of heuristics** to help navigate the complex landscape it presents: this means it will either tend to be seen as impossibly challenging by policymakers, or it will simply be laid on top of the existing belief system, and thus may not tend to generate radically different outcomes. As we suggested in the section on narrative, this is an underlying problem for Beyond GDP.

**Thus a new set of heuristics are needed to address this**. The kind of diverse perspectives described in the previous section will contribute to this, and it may be that formal analysis (as described in the next section) will also contribute.

In addition, our view is that given the difficulty of the analysis, **successful heuristics will need to help soften trade-offs**, rather than simply indicating how they should be resolved when they arise. For instance, one might take the approach that higher wages will produce both more and better jobs, since they are consistent with a growth model based on high-skill, high-wage sectors. This mitigates the perceived trade-off between employment and wages. However, these assumptions will only hold if governments also invest in skills and pursue an active industrial strategy. This leads us back to the importance of integrated policymaking and policy delivery. In general, so-called 'wicked problems' such as the dilemma between maximising jobs and maximising good jobs can be ameliorated by changing the conditions which create the dilemmas. In time, new heuristics will need to provide guidance on how to do this.

### 3.2 Analytical tools

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<sup>55</sup> Seaford, 2013, op cit

## General lessons

Despite our emphasis on multi-disciplinary and qualitative analysis, our research suggests that **managing complexity could be easier were there a single numeraire** or unit of value for assessing outcomes. Policy could then have the theoretical objective of maximising this. Ideally this would underpin a single headline indicator, but even if it did not it could be used to facilitate judgements about the relative value of different dimensions of well-being. It would in effect be an attempt to measure the right hand box in the diagrams on page 8.<sup>56</sup> Subjective Well-being (with relationships between subjective well-being and the intermediate variables established through regression analysis) could form such a numeraire.

**Another approach would start from the principle that progress is irreducibly multi-dimensional**, and that the process of weighing up different objectives against each other necessarily involves value judgements – even if these judgements are sometimes hidden, as they are in conventional tools of economic analysis which simply ignore certain non-market factors. **Analytical techniques such as multiple-criteria analysis (MCA) acknowledge this subjectivity** and make it an explicit part of the methodology: policies are scored against different objectives, and the process for aggregating these scores into a single number – if it is done at all – is via a weighting system determined by decision-makers' priorities. (For more on this technique, see Annex 2.)

Note that at least in the early stages of policy development formal analysis indicating how to maximise **a numeraire does not replace qualitative assessment** or the judgement involved in prioritising different dimensions of well-being or sustainability. Policy is not made on the basis of equations. Instead, formal and informal analysis of impacts on the numeraire sits alongside specific pieces of analysis linking policies with intermediate outcomes, and the interactions with these outcomes, all of which is designed to help set priorities. Thus, **these two approaches could potentially be combined, for example by using subjective well-being data as one element in a form of multi-criteria analysis**. The numeraire would be an influence, but not a decisive influence, and would serve to counter the existing bias in favour of growth maximising policies.

The numeraire and other new techniques **could also be used in the budget allocation process**, complementing or even replacing conventional economic analysis in the business cases which departments are often required to make to finance ministries in order to maintain or increase their budgets. At present, we have been told that the bias towards conventional economic metrics can make this process difficult for departments whose work is directed primarily towards social and environmental outcomes which may be difficult to value, such as community cohesion or the preservation of biodiversity.

Likewise, **in the later stages of the policy cycle, new tools and techniques could help to balance the growing dominance of conventional economic cost-benefit analysis** in assessing policy options against each other. Although the shortcomings of these conventional techniques are widely recognised, attempts to reform them have been only partially successful. For instance, in the UK the Blair government pledged to introduce a fully integrated system of impact assessments,<sup>57</sup> but in practice this led to the introduction of separate 'specific impact tests' on environment, equality and various other issues, which we were told are often a tick-box exercise. New techniques such as well-being analysis and multiple-criteria analysis could help to realise the ambition of a more holistic approach to impact assessment.

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<sup>56</sup> Or at least current as opposed to future well-being – no-one has (yet) identified an effective way of integrating sustainability into a single numeraire, and some (including the Stiglitz Commission) have raised philosophical objections to the idea of attempting to combine these two elements of Beyond GDP.

<sup>57</sup> Performance & Innovation Unit, 2000, 'Wiring It Up'

## Green economy

What does this mean for green economy policy? The problem is simply stated. **Environmental impacts cannot all be converted into financial costs** for a variety of reasons, notably because some forms of natural capital are non-fungible, with the cost of depleting the stock rising asymptotically as the relevant limit is approached. In addition the uncertainties involved make a valuation approach problematic. For this reason, a separate, parallel system of budgeting and impact assessments is needed.

On the other hand, the creation of 'environmental impact assessments' which sit alongside mainstream policy appraisal tools often appears to be ineffective. In the UK, officials suggested to us that these were mainly useful for identifying particularly egregious negative impacts on the area in question, but did not influence policy in the ordinary course of events.

There are therefore a number of possible approaches to 'Beyond GDP' analysis in a green economy context, including:

- ▶ *Improving methods for capturing the monetary value of environmental impacts* (for example through 'natural capital accounting' approaches), in ways that address issues of fungibility and uncertainty. If possible, this would enable these to be incorporated into current economic analyses.
- ▶ *Using methods such as Multiple Criteria Analysis* (see Annex 2) to model environmental impacts alongside conventional economic and other objectives, with the criteria for weighing these factors against each other being determined through an iterative process between decision-makers and analysts. This has the advantage of measuring environmental impacts in appropriate physical units, and it is easier to see how it deals with concerns about fungibility and uncertainty. However, it does not capture the inter-linkages between environmental and economic impacts, and may result in the economic value of environmental services being underestimated.
- ▶ *A parallel system of environmental indicators linked to cross-government targets* which cannot be exceeded. For instance, the UK's system of carbon budgets and carbon targets is generally regarded as a useful mechanism which has bound successive governments even as the political salience of climate change has ebbed away. (Indeed, we have been told that this policy faced opposition from the Treasury for precisely this reason, since they felt it would limit their ability to make trade-offs in the future.) Some have suggested that this system should be extended to other aspects of the green economy, such as biodiversity, via a 'Sustainable Development Act'.<sup>58</sup>

## 3.3 Structural issues

### General lessons

The need to work across boundaries within and between organisations when using Beyond GDP indicators was mentioned in several cases – as was its difficulty.

What is important about this is the bringing together of different perspectives, particularly in economic policy making. **This does not simply mean 'joining up' government in some general sense** – which can be done while still leaving economic policy making siloed from the rest of government (as appears to be the case in Hong Kong for example)<sup>59</sup> or even serving to enhance the power of

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<sup>58</sup> Roderick, 2010, 'Taking the long view: UK governance options for a finite planet' (WWF, Foundation for Democracy & Sustainable Development)

<sup>59</sup> See <http://www.gov.hk/en/about/govdirectory/govchart/>

traditional economic perspectives (as to some extent happened in the UK during Tony Blair's first term, when the finance ministry, H.M. Treasury, emerged "as a serious domestic policy player"<sup>60</sup> and there was a concerted effort to roll out economic analysis across the rest of government). Nor is it simply a matter of creating new departments or cross governmental mechanisms with 'Beyond GDP' responsibilities. The evidence suggests these can be useful for solving specific problems (and we return to this when considering labour market and green economy policy below) but they are less useful for the general task of integrating different policy areas and objectives.

**Instead there is also a need to reconsider the role and remit of economic departments themselves.** Thus the debate in the UK at least has focussed on whether to break up or reform H.M. Treasury. The former might involve **creating a new department** to take on some of its broader economic policy functions (attempted unsuccessfully by Harold Wilson in the 1960s), or **transferring some of these functions to another central co-ordinating body** such as the Cabinet Office or units such as the relatively successful Prime Minister's Strategy Unit. This is favoured by those who believe that conventional economic objectives are simply too entrenched within the Treasury to allow for Beyond GDP thinking.

**The alternative is** to make use of the Treasury's cross-governmental power and influence to provide a framework for the kind of policy integration demanded by Beyond GDP – for example by giving the Treasury **new responsibilities relating to well-being or sustainability** and taking active steps to change its culture and processes, including guidance documents such as the Green Book. (The Australian Treasury's Well-being Framework provides an example of this kind of approach, although it does not extend to the detail of policy appraisal.<sup>61</sup>) Crucially, this would involve changing the personal performance criteria and rewards system: **the full array of organisational change techniques** would need to be used<sup>62</sup>. This approach is favoured by those who believe that the Treasury is simply too powerful for a new institutional settlement to be politically feasible; that there is a sufficient culture of intellectual challenge within the Treasury to allow for this kind of transformation; and/or that the Treasury's cross-government role is a perfect vehicle for Beyond GDP policymaking if only it could be turned to that purpose.

Although this discussion is particular to the UK context, similar considerations will apply in all jurisdictions where finance ministries are powerful policy players. All of those we spoke to made clear that **reform of these ministries would require a concerted act of political will from the Prime Minister and/or Finance Minister of the day** – reinforcing our conclusion that Beyond GDP is ultimately a political and not simply a technocratic agenda, and will not be successful if it is limited to debates about measurement and methodology.

### *Labour markets*

Labour market policy provides a good example. A key obstacle here is that **labour market policy is often located within economic departments who may see well-being analysis as imprecise or outside their remit** – while departments with an inherent concern for well-being, such as health departments, have limited influence over this aspect of policy. This relates to what was described to us at the OECD as the problem of 'different blood groups'. A reformed economics department as described above would help, for example, 'seeding' officials from departments with a well-being perspective into economic departments as part of wider organisational changes. Other approaches include cross-ministerial mandates, cross-departmental budgets and performance targets, or cross-

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<sup>60</sup> Institute for Government, 2011, 'Policy Making in the Real World'

<sup>61</sup> See <http://www.treasury.gov.au/PublicationsAndMedia/Publications/2012/Economic-Roundup-Issue-3/Report/Treasury8217s-Well-being-Framework>

<sup>62</sup> Adjusting the performance criteria of very senior UK civil servants has led to more sustainable procurement in the public sector (Final Report of the Sustainable Development Commission, 2011)

departmental teams of officials all designed to integrate health, social security and economic departments' perspectives into the labour market policy process.

### *Green economy*

Green economy policy faces similar structural issues. Indeed, the concept of 'sustainable development' emerged in part as an attempt to provide an overarching principle linking economic, social and environmental sustainability, and **the literature on sustainable development frequently refers to the importance of integrated policy processes** in operationalising this.<sup>63</sup> However, such integration has been harder to achieve in practice – and **even relatively successful sustainability initiatives often treat the three 'legs' (economic, social and environmental) as separate**, with GDP remaining the headline economic indicator, as opposed to taking an integrated approach to economic policy itself or to the measurement of overall progress.<sup>64</sup>

Again, a number of different approaches to this problem can be identified, including changing the culture and remit of economic ministries, enhancing the role and status of environment ministries, and creating cross-government processes or oversight mechanisms for ensuring environmental considerations are mainstreamed into decision-making.

The Lebensministerium in Austria and the Department for Energy and Climate Change (DECC) in the UK are both examples of the second approach: institutional innovations which have sought to raise the profile and importance of environmental protection within government. Both have been at least partially successful. Even so, one of the architects of DECC pointed out to us that it "still created a silo – just a better silo", and that if the objective is to integrate sustainability across the whole of government, **creating new 'green' ministries – however well designed – can never be the whole solution.**

As for the third approach, cross-government mechanisms of co-ordination and integration, green ministries themselves may not always be the best locus for these mechanisms. One problem (a manifestation of the more general institutional barriers to Beyond GDP) is that environment ministries are often relatively politically weak compared to economic ministries. In the UK, the Department for the Environment, Food and Rural Affairs (DEFRA) has been charged with ensuring that sustainability concerns are integrated into departmental business plans. However, both the Environmental Audit Committee (EAC)<sup>65</sup> and the Sustainable Development Commission (SDC)<sup>66</sup> have expressed concerns that it does not have sufficient power to enforce this. In the words of the EAC's Chair, "**The sustainability agenda needs to be driven from the centre of government.** Defra has the expertise, but it does not have the influence to get the rest of Government to act more sustainably."<sup>67</sup> (This contrasts sharply with the highly successful influence exerted over Defra itself by the Department for Business and by the Treasury, via cross-government processes designed to reduce regulatory

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<sup>63</sup> See e.g. Meadhurst 2001, op cit; see also literature on Environmental Policy Integration (EPI)

<sup>64</sup> This is partially true even of some fairly advanced beyond GDP indicator sets, for example in Sweden, Austria and Wales.

<sup>65</sup> Environmental Audit Committee, 2011, 'Embedding sustainable development across government'

<sup>66</sup> Sustainable Development Commission, 2011, Final Report: see also written evidence to EAC inquiry (op cit)

<sup>67</sup> Environmental Audit Committee, 10 Jan 2011, Press notice: Embedding sustainable development across government



burdens on business:<sup>68</sup> Defra's regulatory impact assessments have been given the 'red light' more times than almost any other department).<sup>69</sup>

In the UK, the EAC recommended the creation of a new Minister for Sustainable Development, based in the Cabinet Office and able to hold departments to account, including crucially via financial sanctions, for missing sustainability targets. Others have suggested the creation of a Ministerial position within a country's finance ministry with responsibility for managing its 'natural wealth'.<sup>70</sup> Interestingly the EAC, while noting the importance of financial sanctions, rejected the idea of basing a new Minister in the UK Treasury based on concerns that policy would be 'captured' by the existing Treasury view, rather than successfully reorienting this view towards sustainability.

New Zealand has combined elements of both these approaches in its system of 'Strategic Results Areas' (SRAs) which cross departmental boundaries, widely regarded as an exemplar of joined up government. One of the Treasury's SRAs from 2007 onwards related to improved natural resource management "to ensure a sound basis for a sustainable and productive economy."<sup>71</sup> New Zealand also created a cross-portfolio ministerial mandate for Biosecurity, covering activities in health, agriculture, fisheries and conservation – with the ability for the Minister to redistribute budget between these four departments – although this is separate from the economic ministries.

Another possibility is the creation of an independent watchdog – for example, someone to represent the future generations who stand to win or lose as a result of today's policies. The Hungarian Ombudsman for Future Generations, established in 2008, is an exemplar of this approach; similar posts exist in Canada, Israel and New Zealand, and the Finnish Parliament has also established a 'Committee for the Future'.<sup>72</sup>

### **Integrated & innovative policy making: key conclusions**

There is a need to design processes which stimulate greater innovation and allow a more diverse range of policy perspectives and disciplines to be brought to bear. This applies both to labour market and green economy policy. This requires a concerted programme of organisational change, covering among other things training, recruitment, ways of interacting with other departments, the style of interaction between politicians and officials, personal performance measures, new analytical tools, structural change - and of course strong political and official leadership.

It will also be necessary to develop new heuristics, built out of the diverse perspectives brought to bear, and potentially drawing on new analytical tools. These will not simply provide guidance on how to resolve trade-offs, but will be designed to help think how to change the conditions which make the trade-offs so stark.

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<sup>68</sup> See <https://www.gov.uk/government/policies/reducing-the-impact-of-regulation-on-business/supporting-pages/operating-a-one-in-two-out-rule-for-business-regulation>

<sup>69</sup> See Regulatory Policy Committee, 2014, 'Improving the evidence base for regulation: RPC scrutiny in 2013', p16

<sup>70</sup> GLOBE-UK, cited in EAC 2011 (op cit)

<sup>71</sup> <http://www.treasury.govt.nz/publications/abouttreasury/soi/2009-12/07.htm>

<sup>72</sup> Roderick, 2010, op cit

## 4. Summary of Annex recommendations

### 4.1 Narrative

The lack of a narrative was one of the ‘political’ barriers we identified in BRAINPOoL but not the only one. In addition to developing a narrative we recommended the development of processes to engage citizens and establish the democratic legitimacy of Beyond GDP indicators, as well as developing strategies for overcoming resistance.

The first pillar of a successful Beyond GDP narrative is a popular story about what economic policy is for. We suggest that this story should exploit the increasing disconnect between levels of growth and people’s personal experience, building on successful existing narratives about living standards to emphasise both economic and non-economic quality of life, now and in the future. It might also emphasise security and stability, in contrast to the risky and destabilising pursuit of growth at any cost.

The second pillar of a successful Beyond GDP narrative is a theoretical position on how the economy works. This does not need to be built from nothing: there are numerous well-developed theoretical perspectives which offer alternatives to the current narrative about growth and efficient markets. However a common foundation is needed, and bridges need to be built between theory and political messaging.

### 4.2 Integrated and innovative economic policy making

A new narrative and the associated political commitment are essential to change. However a process of organisational change would then also be needed, particularly in economy and finance ministries. We identified two broad approaches: restructuring responsibilities and the creation of alternative centres of power, so that these traditional guardians of the ‘GDP’ approach were less able to resist change; and changing the priorities and working methods of what will remain powerful parts of the policy making machine.

In either case we identified a number of measures which would need to form part of a coherent and co-ordinated change programme with both official and political leadership:-

#### *Human Resources and training measures*

- ▶ Training so that economic policy makers are aware of the extent to which they rely on simplifying assumptions based on orthodox economic theory
- ▶ At the same time creating greater awareness of the limitations of quantitative analysis amongst both providers and clients
- ▶ Recruitment of a more diverse range of specialisms into key roles in the civil service
- ▶ Personal performance targets reflecting the new priorities

#### *Process measures*

- ▶ Processes designed to facilitate innovation that help bring more diverse perspectives, disciplines and interests to the economic policy-making table
- ▶ Re-looking at the boundary between ‘official’ and ‘political’ policy making so as to create a ‘safe space’ for re-prioritising and innovation

#### *Analytical tools*

- ▶ Development of, and greater use of, new formal analytical tools, at least in part designed to weaken the dominance of existing tools which favour traditional economic objectives (subjective well-being as numeraire in cost benefit analysis, multiple criteria analysis)

- ▶ Development and wider use of tools such as carbon budgets and other forms of control

#### *Support for new ideas*

- ▶ Correcting the bias against heterodox economics which often exists in research funding and peer review systems - for instance through the provision of dedicated funding for heterodox economics
- ▶ In key policy areas such as labour markets and green economy, we recommended over time developing new heuristics consistent with the narrative (rules of thumb that guide policy making to replace the traditional rules reflecting the current orthodoxy). We suggested that these would need to point to ways of softening the trade-offs we face as well as guiding decisions on how to make those trade-offs.

## Annex 2: Methodologies for integrated policy analysis

Various alternative methodologies already exist for incorporating a wider range of factors and potential trade-offs into the policy appraisal process - although some are relatively new. Some key relevant approaches are described below.

### Social cost-benefit analysis: stated and revealed preference techniques

'Social CBA' refers to ways of monetising social and environmental costs and benefits so they can be better taken account of in economic appraisals. The UK Treasury's Green Book references two methodologies for doing this: 'stated preference' (i.e. estimating people's willingness to pay for social and environmental benefits, or willingness to accept compensation for social and environmental losses) and 'revealed preference' (i.e. analysing the behaviour of related markets, such as house prices).

This has the advantage of converting a range of different costs and benefits into a single unit, thus enabling ready comparison and the evaluation of trade-offs. Policymakers may have had in mind the evolution of such methods when they expressed the view that Beyond GDP was redundant since decision-making processes were already able to capture social and environmental issues adequately without the need for new measures.

However, there are well-documented flaws with these approaches, particularly since the advent of behavioural economics: for example, the results of willingness to pay surveys have been shown to be highly dependent on contextual factors such as the sequence in which issues are presented, the way the question is framed or the starting price and range of monetary values suggested by the survey. Moreover, these surveys tend to generate a significant proportion of 'protest valuations' of zero by people who fundamentally reject the idea of putting a price on nature or on social capital.<sup>73</sup>

It is worth noting that these specific methodological flaws reflect the more general shortcomings of the paradigm this methodology represents: i.e. the assumption that utility is best measured as the sum of rational individual preferences as expressed through market transactions. Behavioural economics and neuro-economics are increasingly undermining the founding assumptions of these models as regards human behaviour and decision-making;<sup>74</sup> ecological economists would also suggest that people's instinctive unwillingness to 'put a price on nature' is theoretically well-founded, since natural capital is not substitutable for produced/financial capital.

### Social cost-benefit analysis: life satisfaction approaches

An alternative approach uses life satisfaction data to estimate the positive or negative impacts of particular interventions on people's subjective well-being, and then converts this into monetary terms by calculating the change in income which would produce an equivalent well-being gain or loss. This approach is still in its infancy, and some studies have produced implausibly high valuations (such as £85 a week as the benefit of a weekly trip to the cinema). However, its advocates argue that these problems can be overcome by adhering to various specific methodological rules.

They also point out that, even if the results are not robust enough to be incorporated into a CBA, "[they] may still be able to indicate the approximate magnitude of an impact thereby allowing decision makers to refine the values that they may otherwise place implicitly on these impacts."<sup>75</sup> Again, this highlights the point that the judgements and assessments implied by Beyond GDP analysis are not

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<sup>73</sup> See Fujiwara & Campbell, 2011, 'Valuation techniques for social cost-benefit analysis'

<sup>74</sup> See e.g. Kahnemann, 2011, 'Thinking, Fast & Slow' (Penguin)

<sup>75</sup> Fujiwara & Campbell, 2011, 'Valuation techniques for social cost-benefit analysis'

avoided by conventional analysis – rather, they are made implicitly and often with systematic biases at work.

Of course, this approach deals only with the well-being aspect of Beyond GDP: although it can be used to value some kinds of environmental assets, it does not deal comprehensively with the sustainability aspect.

### Multiple-criteria analysis: making trade-offs explicit

Both of the above approaches are ‘totalising’: they attempt to derive an aggregate result by summing individual impacts according to a common unit of value. An alternative approach is to explicitly recognise the irreducible multi-dimensionality of decision-making, and to make the process of deciding how trade-offs are made an explicit and transparent part of the methodology. This is the aim of multiple criteria analysis (MCA).

MCA was originally developed to deal with decisions with multiple objectives, not all of which are readily monetisable (this was before the development of some of the more sophisticated methods for monetising non-market impacts, discussed above). For example, it is used by the UK’s Department for Transport, which assesses new projects against five criteria: integration, accessibility, environmental impact, economic impact, and safety. The criteria are measured according to various types of valuation: monetary (where this is possible); quantitative non-monetary (for example, measurable impacts on the environment, expressed in physical units); and qualitative (where quantitative analysis is not possible; qualitative evaluations are expressed on a 7-point scale).<sup>76</sup>

There are different forms of MCA: the simplest is a performance matrix which sets out the performance of each option against each criterion and leaves decision-makers to interpret this data to decide on the overall best option. More sophisticated methods attempt to derive an overall score for each option, either through a simple average or based on a more complex weighting methodology. This can draw on decision mathematics to rank options according to various decision-making criteria: for example, finding the most cost-effective option subject to certain minimum environmental standards. It can also attempt to incorporate issues of uncertainty and risk, for example through probability-adjusted scores and scenario analysis.

Weighting methodologies are an iterative process developed through dialogue between decision-makers and analysts: as the DCLG’s manual puts it, the question of how different interests or factors are weighted “should be recognised explicitly rather than implicitly; the choice is ultimately political... By conducting the analysis in an iterative and reflexive fashion, the model can both shape thinking and be shaped by thinking in an evolving social process that involves all the key players.”

Thus, far from undemocratically replacing political judgements with technocratic analysis (a fear expressed about Beyond GDP approaches by organisations like the OECD)<sup>77</sup>, MCA and related methods have the potential to illuminate debates about trade-offs, making them more democratic and transparent, rather than allowing trade-offs to be made implicitly and opaquely on the basis of hidden assumptions – as often happens with conventional CBA. Having said this, we have encountered a reluctance in some official quarters to make trade-offs explicit, and, linked to this, a view that MCA is unacceptably subjective.

MCA often also includes some form of stakeholder deliberation, recognising that different groups will have different interests and preferences which will themselves need to be weighed up in deciding the overall best course of action. Moreover, applying MCA to these preferences can sometimes help to

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<sup>76</sup> See DCLG, 2009, ‘Multiple-criteria analysis: a manual’

<sup>77</sup> See Seaford 2013 op cit



move towards consensus between different groups: “Using the model to examine how the ranking of options might change under different scoring or weighting systems can show that two or three options always come out best, though their order may shift... The reason this is usually not apparent in the ordinary thrust of debate between interest groups is that they focus on their differences, and ignore the many criteria on which they agree.”<sup>78</sup> As such, MCA potentially fits well with emerging approaches to policy innovation which focus on engaging a wide range of stakeholders to consider a complex problem together (for example, ‘Policy Labs’ in the UK, Denmark and Finland).

It is worth noting that MCA is generally regarded as a complement or component of CBA rather than a replacement for it. This is largely because MCA is designed to assess various options against each other, rather than to tell policymakers whether any of these options are ‘worth doing’ (i.e. whether the costs outweigh the benefits) in an absolute sense.

## List of Key Acronyms

BLI	Better Life Index
EF	Ecological Footprint
EPI	Environmental Performance Index
GDP	Gross Domestic Product
GPI	Genuine Progress Index
HDI	Human Development Index
ISEW	Index of Sustainable Economic Welfare
JCI	Jacksonville Community Indicators
MNW	Measuring National Well-being
NWI	National Welfare Index
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
QUARS	Regional Index on Alternative Quality of Life Indicators
SDGs	Sustainable Development Goals
SDIs	sustainable development indicators
SEEA	System of Economic Environmental Accounts
SNA	System of National Accounts
SPIRAL	Societal Progress Indicators and Responsibilities for All

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<sup>78</sup> DCLG, 2009, ‘Multiple-criteria analysis: A manual’

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