

THIS IS THE MOMENT TO GO **BEYOND GDP**





Author: Rutger Hoekstra
Contributors: Marguerite Culot, Marina Gattás,
Lisa Hough-Stewart, Rebecca Humphries,
Amanda Janoo, Nick Meynen, Katy Wiese
Cover photo: © Florian Fischer / iStock
Design by: Imre Sebestyén / Unit Graphics

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This communication is funded by the LIFE Programme of the EU, the Laudes Foundation and the Locomotion project under the European Union's Horizon 2020 research and innovation programme. Views and opinions expressed are however those of the authors only and do not necessarily reflect those of the European Union.



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Current policies prioritise economic growth (measured in Gross Domestic Product, or GDP) rather than long-term societal and environmental goals: wellbeing, inclusion, and sustainability. The fact that GDP does not measure the progress of society is widely known and alternative metrics to replace GDP are abundant. 50 years after the UN Conference on the Human Environment in Stockholm, the moment has come to finally go Beyond GDP.

About this briefing

Around the world we are witnessing important shifts in our definition of “progress” and “development”. Since WWII, governments have largely relied on Gross Domestic Product (GDP) to assess their national progress. However, GDP only tells us how much is bought and sold in an economy and nothing about our quality of life and the state of the environment.

This short briefing is a primer for policy-makers interested in how and why to move Beyond GDP. It summarises the debate around Beyond GDP and introduces the most relevant alternative indicators and dashboards currently in use around the world. It aims to simplify the seemingly complex Beyond GDP landscape by explaining the shared principles of these indicators and dashboards, and argues that the time has come to embed alternative measures and methods for collective progress within institutions at all levels. The briefing concludes that the Beyond GDP agenda requires a significant acceleration by policy-makers on three goals: convergence of measurement, more policy tools/uptake and participatory policy approaches.

Background

1972 was a pivotal year in many respects. The Limits to Growth (LtG) report was published in that year and showed that humanity was on course to overshoot the limits of our planet. The report was also highly influential at the United Nations' Conference on the Human Environment in Stockholm, which was the first global conference to address humanity's disruptive influence on nature.

There is also a lesser-known milestone in 1972. That year also saw the publication of the first index which aimed to go Beyond GDP. William Nordhaus and James Tobin, later Winners of the Nobel Prize in Economics, published the *Measure of Economic Welfare (MEW)*, an index which provides a better indication of welfare than GDP does.

The discussions underlying the Stockholm Conference, the LtG report, and the MEW index have never been more relevant. The financial crisis of 2008/2009, climate change, biodiversity loss, growing inequalities and social and political volatility have made it clear that a society which is navigated by GDP is using the wrong compass. The COVID pandemic and the war in Ukraine create momentum behind the idea that the economy should be greener and more inclusive. International institutes and governments around the world are realising that a paradigm shift is needed.

This policy brief focuses on the quest to highlight metrics that go Beyond GDP. Where do we stand, 50 years after the publication of the MEW? What progress has been made and, most importantly, how can we take advantage of the current momentum to accelerate the Beyond GDP agenda?

“Every day of continued exponential growth brings the world system closer to the ultimate limits of that growth. A decision to do nothing is a decision to increase the risk of collapse.”

Donella H. Meadows, Limits to Growth, 1972

Why replace GDP?

Criticism of GDP has existed since its inception. In fact, Simon Kuznets, who presented the original formulation of GDP, said as far back as 1934: *“The welfare of a nation can scarcely be inferred from a measurement of national income”*. The last 50 years have seen many publications articulate the problems related to GDP, which boils down to three main arguments.

Economic growth is at odds with planetary boundaries

The Limits to Growth report modelled the environmental overshoot that would result from continued economic growth. The predictions of the LtG model are still debated to this day and as a result the science of natural limits has continued.

The most prominent methodology is the **Planetary Boundaries** framework (see Figure 1 below) which shows that there are nine limits to our natural system and six are in “overshoot”.

Some proponents of “Green Growth” argue that we can have both economic growth and keep to environmental limits. However, reports such as *Decoupling Debunked* argue that this is impossible. Instead, policy-makers should therefore be thinking about alternatives that reduce environmental pressures and inequality simultaneously. Besides biophysical limits, there exist other reasons to be sceptical about continuous high growth rates in Europe (e.g. increasing saturation, inequalities, debt).

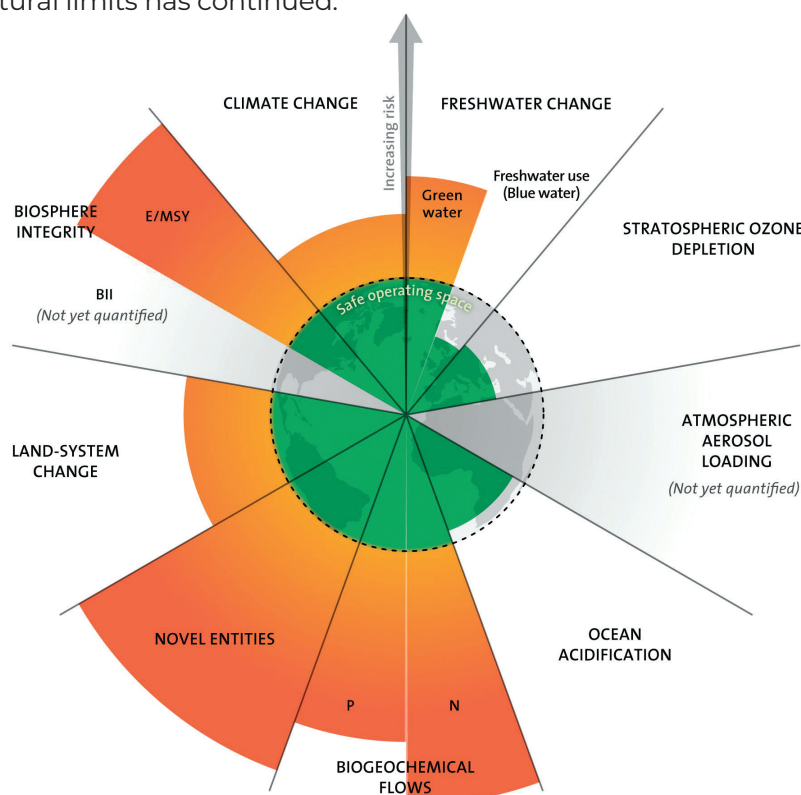


Figure 1.
Planetary Boundaries
Framework (2022)
Source: Globaia

GDP is not a measure of progress

Since GDP is so dominant in the public discourse, it deflects attention away from the key goals of achieving inclusive and sustainable wellbeing. For example, health, education, and social relationships, which are crucial for wellbeing, are overshadowed by GDP. Long term sustainability and inequality issues also tend to be ignored due to the dominance of economic growth thinking.

This is not a criticism of GDP as an index, but rather the way it is used in society. GDP is erroneously equated to “success” of a country, but this is not the aim of GDP measurement. It was never meant to quantify wellbeing, sustainability or to take inequality into account. The System of National Accounts (SNA) itself warns: *“GDP is often taken as a measure of welfare, but the SNA makes no claim that this is so and indeed there are several conventions in the SNA that argue against the welfare interpretation of the accounts.”* So even the economists calculating GDP warn against this incorrect interpretation.

GDP isn't even a very good measure of the economy

The core task of GDP is to measure economic activity, the value added of the goods and services produced. Yet many economists have been critical of the current global handbook on economic measurement, the System of National Accounts (SNA). Feminist economists have shown that by not including household or caregiving work in GDP calculations, society is undercounting a large economic contribution which is done disproportionately by women. Environmental economists have long argued that the treatment of the environment in GDP is fraught. GDP does not count environmental emissions as a negative factor in GDP, while at the same time examples such as cleaning up beaches after an oil spill are considered a *positive* contribution to economic production.

Recent criticism also includes the difficulty to measure production when it involves free internet services (Facebook, Google, Wikipedia). Globalisation is also a big statistical problem, because it has become difficult to designate where production is taking place when multinationals have tax incentives to record their profits in certain countries.

Which metrics should replace GDP?

It is sometimes lamented that there are no Beyond GDP indicators or that data is not available. Nothing could be further from the truth. Since the MEW was created in 1972, *hundreds* of Beyond GDP measurement systems have been proposed. Many are updated annually and are supported by influential institutes or brilliant scientists. The MEW inventors, Nordhaus and Tobin, would later win the Nobel prize but they were not the only laureates to weigh in: Sen (Human Development Index), Tinbergen (Sustainable National Income), Kahneman (U-index), Stiglitz Report's (Dashboard of indicators based on the capital approach). Major international

organisations have created Beyond GDP alternatives: OECD (Better Life Index - see Figure 2 below), the World Bank (Comprehensive Wealth), UNEP (Inclusive Wealth Index), UNDP (Human Development Index), the United Nations (Sustainable Development Goals). Even at the national level, countless efforts have been supported by governments and heads of state. Famous examples include: Gross National Happiness (Bhutan), Living Standards Framework (New Zealand), The Wellbeing Monitor (the Netherlands), The National Performance Framework (Scotland) and the Quality of Life framework (Canada).

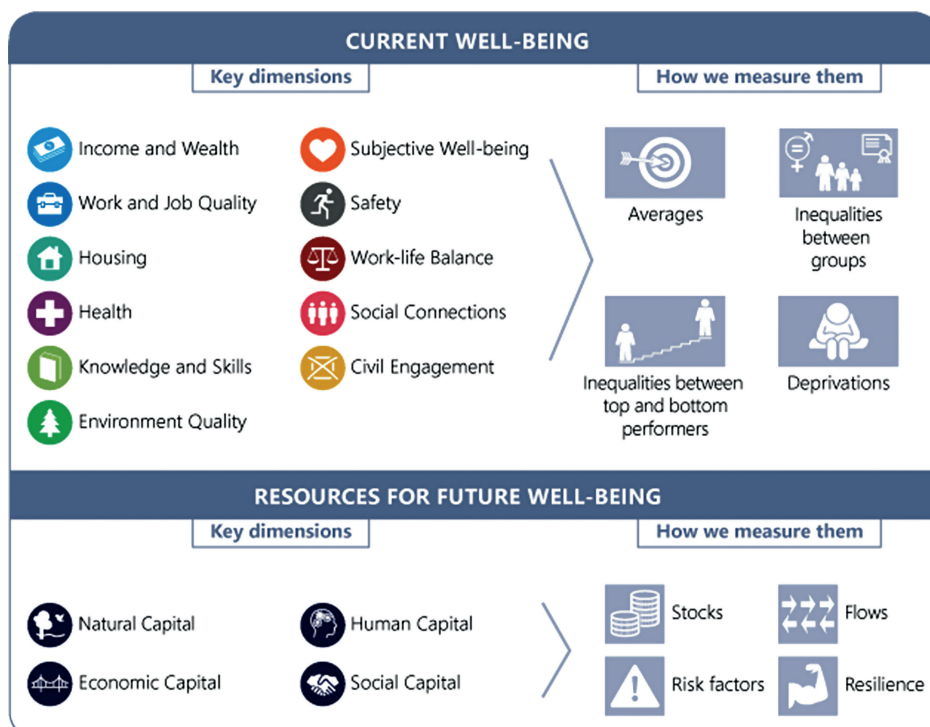


Figure 2: OECD wellbeing framework from its Better Life Initiative

The enormous diversity in Beyond GDP metrics is testament to the energy and innovation in the field. However, it can also be confusing. To an outsider it might seem that there is no connection between the various Beyond GDP metrics. However, nearly all Beyond GDP measurement systems can be linked to the philosophy set out in the seminal Brundtland report, which was written by a United Nations commission in 1987 and pinned the definition of sustainable development. The report identified three dimensions to societal success:

- 1. **Wellbeing (Current).** The Brundtland definition of sustainable development includes the “needs of the present generation” but many other terms can be used to refer to the same phenomenon: quality of life, standard of living, human wellbeing etc.
- 2. **Inclusion (Distribution of Wellbeing).** The distribution in wellbeing and its components need to be considered (e.g. income, consumption, wealth, education, health, time use). These inequalities exist within countries, between countries, globally, and according to gender, race/background, age, etc.
- 3. **Sustainability (Future Wellbeing).** This is the second half of the Brundtland definition of sustainable development, which stresses that the actions of the current generation should not be at the expense of the wellbeing of future generations.

The table opposite shows that Beyond GDP measurement systems can either be a single index or a dashboard of indicators. The measurement systems can cover a single domain (e.g. Subjective Wellbeing is an index of wellbeing), while others cover two or three domains (the Genuine Progress Indicator includes wellbeing, sustainability and inequality).



The table does not show all the underlying indicators. For example, Eurostat’s Quality of Life dashboard has dozens of indicators e.g. life expectancy, educational attainment, crime and life satisfaction.

Some of the metrics listed above have their origins in economic theory, but some are linked to other social and natural sciences. To complement these scientific approaches, some countries have proposed or undertaken deliberative processes in order to ground the indices or dashboards in the priorities and lived experiences

of the citizens they impact. Such a collaborative process gives legitimacy to the outcome and gives citizens agency in the transition towards a wellbeing economy.

The Wellbeing Economy Alliance (WEAll), a global advocacy group for the wellbeing economy, argues strongly for this type of process in its Wellbeing Economy Policy Design Guide, which is currently being piloted in four locations. This type of approach is often done at the level of a city or community, but some have been applied to countries or larger regions (Wales, France).

Domain	Index	Dashboard of Indicators
Wellbeing	Human Development Index (HDI) Subjective Wellbeing (SWB) U-index	Eurostat’s Quality of Life (QoL) Indicators Better Life Initiative (BLI) Gross National Happiness (GNH) (Bhutan) Quality of Life Framework (Canada)
Sustainability	Comprehensive Wealth Inclusive Wealth Index Ecological Footprint	Planetary Boundaries
Inclusion	Inequality in HDI and SWB	World Inequality Database (Economic)
Several domains (Wellbeing, Inclusion & Sustainability)	Genuine Progress Indicator (GPI) Sustainable Development Index (SDI) Happy Planet Index (HPI)	Doughnut Economics Living Standards Framework (New Zealand) Monitor of Wellbeing (the Netherlands)

This is the moment

The last 50 years has seen a plethora of Beyond GDP initiatives and this agenda has never been more relevant. Many recent initiatives have reiterated the need for a paradigm shift. There are too many to name, but some of the important ones, particularly at the European level, are listed below:

- *Beyond GDP Initiative.* The EU has created a space to collect information about beyond GDP publications and initiatives. This website was created in the aftermath of the first Beyond GDP conference organised by the European Commission in 2007. It acts as a repository of information on all topics related to Beyond GDP.
- *EU Council conclusions on the Economy of Wellbeing.* These conclusions from 2019 from the EU member States endorsed an “Economy of Wellbeing”. It states that “*People’s wellbeing is a principal aim of the European Union. The Economy of Wellbeing brings into focus the raison d’être of the Union as enshrined in the Treaties and in the Charter of Fundamental Rights of the European Union.*”
- *The 8th Environment Action Programme (EAP).* The 8th EAP commits the EU to advance towards a Wellbeing Economy and to develop a Beyond GDP dashboard, informed by stakeholder consultation. A report is due to be produced by

the European Commission, which identifies the interlinkages between existing indicators measuring social, economic and environmental progress and proposes action to streamline these existing indicators.

There are also some important efforts at the international level:

- *SNA revision.* The Inter-Secretariat Working Group on National Accounts (ISWGNA), which is a collaboration of the UN, EC, OECD, IMF and World Bank, has convened a group of experts responsible for the revision of the SNA by 2025. This is extremely important for the future of GDP and there is a subgroup looking at a broader accounting framework for wellbeing and sustainability.
- *Beyond GDP at the UN.* The United Nations’ Secretary General has also reiterated the importance of Beyond GDP. In response the United Nations Network of Economic Statisticians has responded by organising a number of “sprints” with some of the leading experts on the subject.

Furthermore, global networks that are not formally connected to international institutions are also promoting metrics and policy integration for a Wellbeing Economy. The Wellbeing Economy Alliance (WEAll), a global movement with many country “hubs” is growing all the time. Alongside this, six countries



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(New Zealand, Wales, Scotland, Finland, Iceland, Canada) have started to collaborate in the Wellbeing Economy Governments (WEGo) partnership. These countries are especially looking at how to integrate these metrics into policy. A prime example is the Wellbeing Budget of New Zealand, which provides a radically new way for governments to approach their budgeting process.

Finally, there are civil society and research-led initiatives such as LOCOMOTION funded by the EU Horizon programme, which aim to advance Beyond GDP knowledge. LOCOMOTION aims to develop a scientific model to assess the environmental and socio-economic impact of various policy options such as the European Green Deal and Postgrowth. In a recent report it used the Sustainable Development Index for this purpose.

What can policy-makers do?

What is next for Beyond GDP? The last 50 years have seen unprecedented experimentation and innovation. Data and great methodologies abound, supported by important institutions and top scientists. Yet, GDP has not been replaced as the dominant policy compass of society. Progress has been frustratingly slow. We now need a new phase to accelerate the institutionalisation of these metrics within policy, media and public discourse. There are three main priorities for policy-makers in addressing this need:

1 Create coherence in measuring Beyond GDP:

- As the table of Beyond GDP metrics shows, there is too much heterogeneity in terminology and methodologies. This is confusing for science, policy-makers, media and the general public, but there is no governance structure which enforces more collaboration or convergence.
 - This is in stark contrast to macroeconomic terms (GDP, consumption, productivity) which are defined by the globally accepted SNA. **National governments and international institutes should create an Intergovernmental**
- Panel on Wellbeing, Inclusion, Sustainability and the Economy (IP-WISE) which would provide a governance structure to consolidate the present knowledge and drive a process of convergence of methodology and terminology.** This does not necessarily mean that the end result should be a single index that is agreed upon globally, but rather a process of convergence which focuses on commonalities that significantly reduce the complexity of Beyond GDP terminologies and methodologies should be launched.
- At the EU Level, there are many fragmented monitoring frameworks and indicator sets measuring social, economic and environmental progress. **Policy-makers should reflect and produce recommendations on how these existing metrics can be streamlined and used in policy-making.**
 - Creating coherence will help policy-makers overcome the confusion they sometimes feel about which indicators to use to guide policy-making. The aforementioned process of convergence should therefore also **include a high-level debate on which metrics to use to drive political prioritisation.**

2

Work on policy uptake and tools:

- Policy uptake will be enhanced by more coherence in metrics, but policy-makers require additional *tools* to make decisions. Economists have developed tools such as scenario models (e.g. LOCOMOTION) and cost-benefit analysis to assist in making policy decisions in a complex world. **Policy-makers should be stimulating Beyond GDP experts for these tools and make use of them.** In some countries this process is already underway. For example, the Wellbeing Budget of New Zealand is a method by which national priorities are set and the government budget is allocated. Beyond GDP policy-makers require far more of these decision-making tools to ensure policy uptake.

3

Develop deliberative policy processes:

- The transition to a Wellbeing Economy should not just be an interplay of science and policy-makers. Citizens should play an important role in shaping priorities and choosing solutions, and policy-makers should empower them to fully participate in decision-making. Many countries have been experimenting with citizen climate panels. Solving climate change will require collaboration between scientists, policy-makers and citizens and this is no different for the Wellbeing Economy.
- Policy-makers should consult the Wellbeing Economy Policy Design Guide, which contains many best practice examples, evaluate the most effective approaches and apply these to their contexts.

50 years after Stockholm we can conclude that there is no shortage of data for policy-makers. Nevertheless, the Beyond GDP agenda requires a significant acceleration by policy-makers on three goals: convergence of measurement, more policy tools/uptake and participatory policy approaches.

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For further information, please contact:

Rebecca Humphries

Senior Public Affairs Officer
WWF European Policy Office
rhumphries@wwf.eu

Lisa Hough-Stewart

Projects and Organisational Culture Lead
Wellbeing Economy Alliance (WEAll)
lisa@weall.org

Nick Meynen

Senior Policy Officer for Systemic Change
European Environmental Bureau
nick.meynen@eeb.org

