

Brief for GSDR 2015

Beyond GDP indicators: to what end?

Lucas Chancel, Damien Demailly, IDDRI*

Introduction

In 2009, the Stiglitz-Sen-Fitoussi Commission submitted a report to the French President on the new measures of societal progress (Stiglitz et al., 2009). Against a backdrop of financial crisis and the questioning of an unsustainable and unequal growth model, the critiques that for many years had been levelled against the gross domestic product (GDP) resonated anew (Van den Bergh and Harmen, 1999; Daly, 1977; Meadows, 1972). These critiques underline the inability of this key economic indicator to capture worrying developments such as widening income and wealth inequality or the degradation of the environment and public health.

Several countries, such as the U.K., Belgium or Bhutan, have developed new accounting frameworks and officially adopted new prosperity measures. Beyond-GDP indicators represent an opportunity on several counts for policy makers that know how to seize it. The current abundance of new indicators is helping to reshuffle the cards of political discourse, thus making it possible to legitimise new issues (Röckstrom et al. 2009). Beyond-GDP indicators in fact offer political actors the possibility of constructing an innovative narrative: faced with the exhaustion of our current growth model (Demailly et al., 2013), they can help to open up a new space for public action and breathe life back into the democratic debate in a context of in-depth reconsideration of political action and discourse.

Yet, developing new indicators is not enough in itself. The indicators also need to be put to use and effectively integrating the many initiatives underway into policy making still faces several obstacles. While academic research has often focused on fine-tuning indicator methodology (Fleurbaey, 2009; Nordhaus and Tobin, 1973), the prerequisites for their effective use in policy making have received lesser

attention, except in some recent studies (Chancel et al., 2014; Brainpool, 2013; Wallace and Schmuecker, 2013). These two aspects of the question are nonetheless complementary and mutually necessary: what sense would there be in having “good” (methodologically robust) indicators if they do not have an uptake in society? Conversely, how can indicators be mobilised – even if they have a high media profile – if they are not underpinned by a sound methodology?

Beyond GDP indicators in three pioneering countries

In order to provide new insights on these questions, six countries or regions which officially adopted or plan to adopt beyond-GDP indicators¹. An analysis of policy documents was carried out and complemented with interviews of key actors in each country (see Chancel et al., 2014 for the entire paper). The interviewees included government representatives, members of civil society organisations, members of parliament and statisticians from Germany, Australia, Belgium, UK, Wales and Wallonia. Results from three of the countries studied are briefly summarized below and serve as basis for the lessons formulated in the next section.

- **Australia** set up Beyond-GDP indicators as early as 2002, developed and supported by the Australian Bureau of Statistics and its statistician in chief. The dashboard comprises 26 dimensions grouped around four headline themes: society, economy, environment and governance. The dashboard has been published frequently and holds particular interest for the media and the general public. Indicators were initially designed to help

¹ Beyond-GDP indicators are defined as indicators with a societal dimension, which cover economic, environmental and social aspects and are considered by their developers as possible functional complements to GDP.

citizens consider progress in a more integrated way, and not to evaluate government actions - however, the dashboard is regularly used by political staff in their media interventions.

- **Belgium** ratified a law, early 2014, aimed at developing indicators to complement GDP. These indicators are currently being developed by the Belgian Federal Planning Agency and could include some of the indicators already adopted at the regional level by Wallonia: six indicators, including GDP, on three dimensions: environment, society and the economy. Interestingly, a review of BGDG indicators progress is planned to be included in the annual report of the Banque nationale de Belgique and the indicators' progress will be debated in parliament each year. Contrary to what was initially planned in Australia, indicators are to play a very political role in Belgium.
- The **United Kingdom** has produced a comprehensive dashboard of Beyond-GDP indicators since 2011 under a national programme for measuring wellbeing which was supported by Prime Minister David Cameron. The dashboard of indicators in the UK contains more than thirty indicators, some are objective (i.e. income level) and other are subjective (i.e. percentage of anxious people in the population). The British would like to use their dashboard to measure the ex-ante and ex-post the impacts of public policies. This is not yet done systematically, but monthly reports are published to comment on how the country is performing on different dimensions of wellbeing and some indicators have been used to inform decision-making.

Lessons from national experiences

These case studies shed light on three lessons. Firstly, in terms of methodology, it stands out clearly that “replacing” GDP is not an option any more in the countries which adopted new indicators. The choice that was made was to complement GDP rather than replace it. This

choice can be understood by the fact that it is difficult to simply get rid of an indicator as emblematic of GDP but also because, despite its many limitations, GDP retains several powerful features (i.e. standardization, part of a wide system of national accounts, etc.). In addition, GDP is not complemented with a single indicator but a dashboard of indicators – seen as a better way to represent different dimensions of well-being which cannot be merged into one single metric, in line with Stiglitz commission recommendations (Stiglitz et al., 2009).

Secondly, it should be noted that initiatives to complement GDP were supported at the highest level. The three cases presented show this well: it is the executive power which supported the Well Being Programme in the UK, the legislative power in Belgium and the administration in Australia. In addition, indicators are not supported by one political party or sensibility: all sides of the political spectrum support beyond-GDP indicators. In the UK, it is the conservative government of David Cameron which supported them and in Belgium, the green-socialist majority. However, all political parties do not support similar sets of indicators. It may be anecdotic, but the UK does not have an objective measure of income inequality in its dense dashboard of indicators, while Belgium will very likely have one.

Thirdly, these examples showed different possible types of use of indicators. Three roles can be identified: a *symbolic role*, as initially planned in Australia, where the indicators are supposed to represent progress in a different way than GDP but are not developed to measure government's performance. Indicators can also play a *political role*, like in Belgium where they are developed precisely to assess government's performance via an annual debate in Parliament. Finally, new indicators can also be developed in order to play an *instrumental role*: when they are used to measure the impacts of specific public policies. Clearly, Beyond GDP indicators are rarely used in this way currently, partly because of a lack of statistics and theory to understand how they are impacted by different types of public policies.

Issues for further consideration

The above analysis leads to the conclusion that:

- Previous research on beyond GDP indicators essentially focused on methodological issues and disregarded the prerequisites for their use in policy-making. Such a focus is however essential if Beyond-GDP indicators are to be used effectively.
- Pioneering beyond-GDP initiatives constitute an empirical basis for research in this domain and already provide crucial insights for countries debating on how to develop new measures for progress. In particular, it stands out that complementing GDP (rather than replacing it) with a limited number of indicators can meet both robustness and communication requirements.
- Different types of use of indicators in policy making should be distinguished: symbolic, political and instrumental roles. Currently, Beyond GDP indicators essentially serve symbolic roles and political uses are being developed in a few countries.
- Beyond GDP indicators only rarely play instrumental role so far. The challenge ahead will be to develop theories and statistical work to enable an instrumental use of Beyond GDP indicators.

References

BRAINPOoL (2013): Seaford, C. (New Economics Foundation), Report on results on action research: barriers to the use of alternative ('beyond-GDP') indicators in policy making and how 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). New Economics Foundation, 15 November 2013.

Chancel, L., Thiry, G., Demailly, D. (2014) Beyond GDP indicators, to what end? Iddri Study04/14, Paris.

Daly, H. (1977). *Steady-State Economics*, W.H. Freeman and Company: San Francisco.

Demailly, D., Chancel, L., Waisman, H. and Guivarch, C. (2013). "A post-growth society for the 21st century. Does prosperity have to wait for the return of economic growth?". Study No. 08/13. Iddri: Paris.

Fleurbaey, M., 2009. Beyond GDP: The quest for a measure of social welfare. *Journal of Economic Literature* 1029–1075.

Meadows, D., Meadows, D., Randers, J., Behrens, W. (1972). *The Limits to Growth*. Universe Books: New York.

Nordhaus, W., Tobin, J. (1973). "Is Growth Obsolete?", *The Measurement of Economics and Social Performance, Studies in Income and Wealth*, Vol.38, NBER.

Rockström, J., Steffen, W., Noone, K., Persson, M., Chapin, F.S., Lambin, E.F., Lenton, T.M., Scheffer, M., Folke, C., Schellnhuber, H.J., others, 2009. A safe operating space for humanity. *Nature* 461, 472–475.

Stiglitz, J., Sen, A., Fitoussi, J.-P. (2009). *Report of the Commission on the Measurement of Economic performance and Social Progress*. Commission on the Measurement of Economic performance and Social Progress: France, 292p.

Van den Bergh, J.C., Verbruggen, H., 1999. Spatial sustainability, trade and indicators: an evaluation of the "ecological footprint." *Ecological economics* 29, 61–72.

Wallace, J., Schmuecker, K. (2013). *Shifting the Dial: From wellbeing measures to policy practices*, Carnegie Trust Report, 49p.