

How should we measure progress?

For decades, a country's or a region's progress was measured in terms of its GDP (Gross Domestic Product). But politicians' near-obsession with GDP has been at the expense of rising inequality and has arguably contributed to the current climate crisis.

It's time for a new measure that values what matters.

One approach has been to turn to measures of happiness. Bhutan was the first to adopt a *Gross National Happiness Index* as its measure of progress and the UK now publishes official measures of happiness.

It's hard to argue against governments caring about how happy people are; but happiness is affected by day-to-day factors that politicians can't control. Happiness is also an individual-based measure that may ignore factors that are crucial for a sustainable future for society as a whole.

An alternative is to combine multiple indicators that capture the key ingredients for a better and sustainable future – such as the United Nation's recently launched 17 Sustainable Development Goals. This is a comprehensive approach but the general nature of the goals makes it hard to track progress.

SMART (Specific Measurable Attainable Realistic Timely) measurement

Devising a good way to measure progress is a challenge. There needs to be agreement about which indicators to include. There needs to be a practical way to measure progress against each indicator (eg how do you measure gender equality?). There also needs to be a way to combine individual indicators into an aggregate index – do all count equally or are some more important; what happens if there is a trade-off?

Your challenge

You are a team of economic consultants working for the West of England Combined Authority (WECA). This is a combined authority covering Bristol, Bath and North East Somerset and North Somerset. It was created to deliver economic policy and transport more effectively. You have been asked to come up with an initial idea for **a new measure of progress for the area**.

Your task is to produce a one-page poster presenting your idea. The poster should contain the following information.

- **What indicators are you using (and why)? Are you going to include regional GDP or happiness? What else are you including?**
- **Practically, how are you going to measure progress against your chosen indicators? How are you combining multiple indicators? What if there are trade-offs?**
- **How do you think using your measure may change the direction of policy compared to a focus on GDP? Give one example.**

Your poster will be judged against the following criteria:

- Technical content – how you address the underlying economic issues
- Creativity – whether your ideas are innovative
- Presentation – how your poster looks and how clearly things are presented.

Background briefing

For more than seven decades, a country's GDP – its Gross Domestic Product – has been the main measure of its progress.

What is GDP?

GDP measures the monetary value of all the (tradable) goods and services produced in an economy. It can be calculated by adding up the value of everything produced or everything that is spent or the sum of total incomes. (<https://www.bankofengland.co.uk/knowledgebank/what-is-gdp>).

According to its inventor, Nobel prize-winner Simon Kuznets, GDP is not a measure of well-being. But it has often been presented as if it is the only thing that matters – governments fear going into recession and celebrate high growth rates and GDP has been the main metric for deciding whether a poorer country is developing.

Time for change

Failing to value everything that is produced

GDP only captures goods and services that are traded – and have a monetary price. It ignores the value of things that are free – eg the care provided within families by spouses, parents, grandparents, children etc. and the “free” stuff that people consume online in the digital economy. It does not value quality improvements. Each generation of smartphones is arguably better – and worth more. People are better off, but if the price is the same, GDP stays the same. It also takes no account of “externalities” – ie the way in which economic activities (positively or negatively) affect other people. Two factories – one polluting, the other using a clean technology – contribute the same to GDP if their output is the same. Perversely, the economic activity required to clean up after the polluting factory actually adds to GDP.

Failing to value what matters: inequality, sustainability and more....

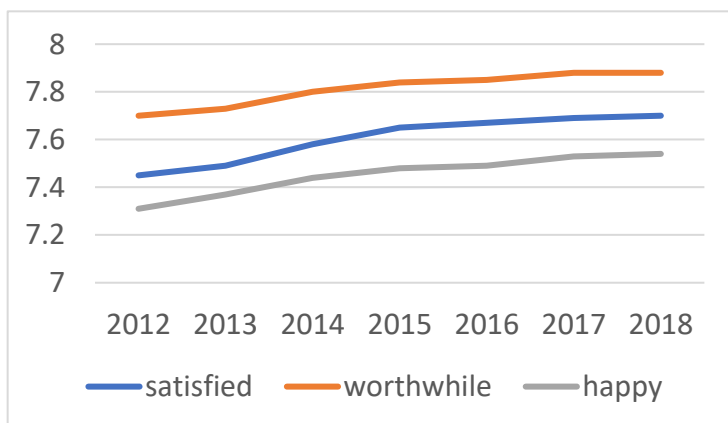
More fundamentally, GDP takes no account of many things that really matter for human development and progress. Two countries can have the same level of GDP – but vastly different levels of inequality; they may also have achieved growth in very different ways in terms of sustainability. An exclusive focus on GDP ignores the extent to which economic growth depletes natural resources and is unsustainable.

Happiness not economic output?

Recognising these limitations, there is growing interest in alternatives to GDP.

Bhutan was the first country to measure its progress using a Gross National Happiness Index rather than GDP <https://ophi.org.uk/policy/national-policy/gross-national-happiness-index/>. In the UK, official measures of “happiness”, based on simple survey questions, have been published since 2012 (see figure 1)

1. Well-being in the UK



The UK uses three measures of well-being, all on a scale from 0 – 10.

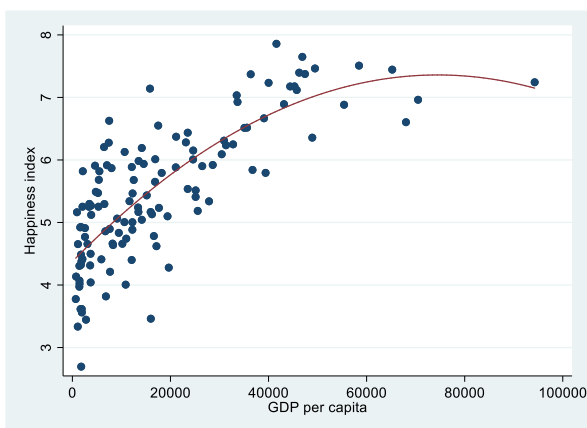
Satisfied: Overall, how satisfied are you with your life nowadays?

Worthwhile: Overall, to what extent do you feel the things you do in your life are worthwhile?

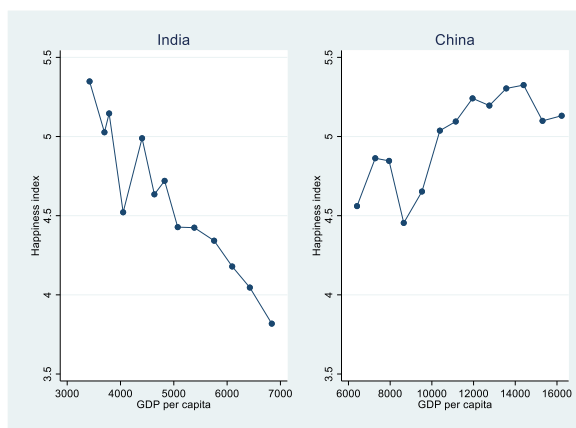
Happy: Overall, how happy did you feel yesterday?

In general, the richer an economy is, the happier its citizens (see figure 2). The simple correlation suggests that doubling GDP per person lifts life satisfaction by about 0.7 points. But, across countries, that is only true up to a certain level of GDP. There are also countries where economic growth has been associated with declining happiness. Rapid GDP increases in India and China have played out very differently in terms of happiness (see figure 3). The US is another country where happiness has fallen in recent years, despite GDP continuing to rise. (<https://worldhappiness.report/>)

2. Happiness across countries, 2018



3. Happiness over time: India and China



Why money doesn't always buy happiness

People not only want a richer life, they also want a better life. Looking at what determines national happiness, researchers have shown that GDP is important, but so are other factors such as inequality, health, freedom to make choices, and the level of social support.

Happiness measures provide a useful snapshot of the state of a country's psychological well-being. It's hard to argue that governments shouldn't care how happy their citizens are. But how useful is happiness as a measure of progress? It is measured using surveys and may be volatile. It is affected by things that are outside politicians' control (personal-life events and football matches) and so may be hard for the government to target. It is also an individual-based measure, whereas many of the key factors that are required for progress relate to society as a whole.

A broader approach

In 2017 the United Nations secured agreement for a set of 17 Sustainable Development Goals (SDGs), also known as the Global Goals. <https://sustainabledevelopment.un.org/?menu=1300> They were part of a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

An approach to measuring progress that combines multiple indicators is attractive because it acknowledges that development must balance social, economic and environmental sustainability. However, the UN SDGs are designed to apply globally; they may not be targeted enough to be useful for measuring progress in a single country or region. In order to be an effective measure of progress, each indicator also needs to have a specific metric. If gender equality is an important goal, there needs to be a way of assessing whether a society is moving towards gender equality – for example, the gender pay gap or levels of female representation in different spheres.

A further consideration with multiple indicators is how they should be combined. Some policies will involve trade-offs and limited government budgets will need to be prioritised. It may be that all indicators count equally, but it may be that more weight is given to some.

SUSTAINABLE DEVELOPMENT GOALS



How to create a regional progress index

- Decide what matters most for progress in your local area. What does progress look like? What indicators do you want to include? Have you captured the most important things that matter to people's wellbeing and matter for a sustainable future?
- How do you measure progress? Each indicator needs to have a specific measure so it can be tracked over time. What measures are you going to focus on?
- How are you going to combine the different indicators into a single measure of progress? Can you see potential trade-offs? Do you want all indicators to count equally or should some indicators be given more weight than others?
- Finally, think about what would happen if your index was used to track progress rather instead of using GDP. What effect do you think using your index might have on the set of policies that are implement? Try to think of one example where you think your index might make a difference.

You may find some inspiration here:

<https://democracy.bristol.gov.uk/documents/s25861/b%20ISEGS%20Final%20Draft%20v3%20CLEAN.pdf>

<https://www.progressive-policy.net/publications/the-good-life-communities>

But we want your ideas!