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## **Beyond GDP**

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GDP (gross domestic product) is one of the best-known official statistics. We hear about GDP frequently because it is the primary indicator of economic activity within a country. In particular, national (and governmental) success is judged by whether GDP this quarter is higher than last, and by how much. If GDP falls for two successive quarters, this is commonly regarded as signalling that the country is in recession. Going beyond GDP is essentially about looking more broadly to determine how the country is doing. In particular, can we say whether or not a booming economy is actually improving our wellbeing while not harming the planet?

There is a universal commitment (United Nations, 2015) to "developing broader measures of progress to complement GDP". While a new approach to measurement may have been recognised, the challenge now is to take action informed by wider measures.

### **WHY GO BEYOND GDP?**

First, to deal with acknowledged weaknesses in how GDP does what it is meant to do, that is measure economic activity in the country over a given period. An example would be better measurement of non-market activities currently omitted from GDP even though they are integral to the economy. The producers of the national accounts, of which GDP is a headline measure, are beginning to address at least some of these weaknesses. This is important, but far from the full imperative for going beyond GDP.

Second, there is a demand for what GDP is not. GDP, and the national accounts overall, were designed to help manage economies during and after the Second World War. They have become the dominant narrative on progress and wellbeing, despite known limitations. GDP was not designed to be a measure of wellbeing broadly defined but is often treated as such. Can we, and should we, go beyond GDP to a better, multi-dimensional assessment of wellbeing and progress? This is especially pertinent in understanding the sustainability of development and how close we are to using up stocks of natural resources.

Social accounting matrices, social indicators and sustainable development indicators have all failed to gain widespread use. A plethora of wellbeing measures is appearing, from statistical offices, research institutes and lobbyists (eg Allin and Hand, 2014, Appendix). In measures produced by the UK's national statistics office, and progressively elsewhere, these include subjective measures of personal wellbeing (ONS, 2018).

The third reason is not to do with how we measure progress but is about questioning the appropriateness of the dominance of GDP growth as the goal of businesses, individuals and governments, defining or even driving how we live. Quite how widespread that is may not be immediately apparent, until one stops to realise how many messages encourage economic growth over anything else. "Everyone wants everything", as George Monbiot (2017) observed. But this is a way of life that has also led to inequality, environmental damage and, quite possibly, destructive climate change.

Politicians may speak of their concern for the future of our children. However, the real essence of sustainable development is even broader than that and it has not permeated into everything we do. If it did, then we would be concerned not only with the welfare and wellbeing of the current

generation, but also to ensure that we do not compromise the potential of future generations for a better quality of life. That is the definition of sustainable development as set by the Brundtland Commission (1987). While we may strive to set a path for sustainable development, it will only be known by future generations whether or not our actions were sustainable.

## A LITTLE HISTORY

This is not new. For example, in 1844 William Wordsworth was concerned about the proposed extension of a railway into his beloved Lake District. As Britain's poet laureate, he wrote a sonnet starting "Is then no nook of English ground secure from rash assault?" He also wrote twice to the Morning Post, amplifying his objections, including that we need to look beyond "the statistics of the question". Wordsworth (1906/2004) noted that "as we do not 'live by bread alone', so neither do we live by political economy alone".

## EVALUATING THE QUALITY OF GDP

Part of the reason for the lack of progress in turning to new measures of wellbeing may be to do with the way in which the strengths of GDP are presented as the bar over which any wider measures of wellbeing must jump. The system of national accounts aims to produce an integrated description of economic activity within the economic territory of one or more countries. National accountants strive to avoid any double counting of activities, especially through the concept of value-added at different stages. This also seeks to cope with globalisation, where supply chains span boundaries. This results in a comprehensive, fully integrated and internally consistent set of accounts, linking stocks of economic assets with income and expenditure flows.

However, there is a danger that the focus on technical quality loses sight of the bigger idea of quality as fitness for purpose. Official statistics are envisioned as providing "an indispensable element in the information system of a democratic society, serving the government, the economy and the public with data about the economic, demographic, social and environmental situation. To this end, official statistics that meet the test of practical utility are to be compiled and made available on an impartial basis by official statistical agencies to honour citizens' entitlement to public information" (United Nations, 2014).

Official statistics are not just about measurement but also about meeting needs for measures that can be used to inform decision making in business, policy and everyday life. Bill Bryson (2015, p. 461) captured this difference when he observed that "Britain, it turns out, is outstanding at counting what it has, but not so good at holding on to it", referring to a State of Nature report "which found that about two thirds of all species in Britain, plant and animal, are in decline, in some cases perilously so".

On GDP itself, Stiglitz, Sen and Fitoussi (2010) called the paperback version of their commissioned report "Mis-measuring our lives" and Nicolas Sarkozy wrote in the foreword of his "firm belief: We will not change our behaviour unless we change the ways we measure our economic performance". Measurement while necessary is not sufficient: we need to take action informed by the wider measures.

## DISCUSSION

There are at least three reasonable objections that are raised to this critique of GDP. First, not all the new measures are in place. The undoubted complexities of measuring things beyond GDP mean that metrics of quality of life and sustainability are still under development. There are international guidelines for subjective wellbeing measures (OECD, 2013), based on research and testing, but there is still scepticism that subjective measures can be robust enough for policy and other usage. This is

being tackled in the UK in a number of ways, including through a What Works Centre for Wellbeing. It seems better to start the journey and develop measures as we go, rather than waiting for fully crafted, but then perhaps redundant, measures.

Second, and conversely, there are already examples of people, companies and governments acting with more than an eye on economic growth. Initiatives such as Accounting for Sustainability and the Well-being of Future Generations (Wales) Act certainly help lead the way, but they need scaling up.

Third, the way in which information is used is only poorly understood, so will having new measures make any difference? The contemporary information space is diverse and ever-growing. Official statistics are competing with many other providers of statistics, sometimes using official data, as well as with commentators and a storm of opinions and alternative facts on social media. New measures of progress produced as official statistics will need to be seen, be seen as trustworthy, and be trusted.

Jonathan Michie (2017) has identified three kinds of influences on behaviour change: market incentives, policy (including legislation and regulation), and ethical and cultural values and attitudes. There is potential for the use of official statistics in all of these. But to do so would require official statisticians to step beyond the role of providing facts for others to use. They will need to: engage more with politics, policy, businesses and public opinion; communicate and engage with all stakeholders; work fully with the media; and work with others to improve quantitative skills across society.

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