

Redefining prosperity



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1. Summary

Human civilization is at a juncture in history where straining certain planetary boundaries any further would lead to catastrophic consequences with limited recourse to plough back. Our relentless chase of material gains is leading to rising social inequity and declining natural capital. We urgently need to redefine our individual and collective pursuits beyond material gains and gross domestic product (GDP). As humans, we also value the quality of our social relationships, good health, civil engagement, quality of our environment and much more – not everything is necessarily correlated with economic gains.

Global leaders – political, business, religious – must come together and recognize the need for redefining prosperity for economies and individuals. They must adopt a redefined prosperity agenda and employ it to instrumentally change our individual and collective priorities – such that we can prosper in a cohesive society on a thriving planet.

2. Introduction and framing

2.1 Why do we need to redefine prosperity?

Beyond a point, the relentless chase of material gains, wealth and economic growth is not improving human well-being and satisfaction with life (Kesebir, 2016). However, the chase is leading to rising social inequity and rapidly declining natural capital, threatening long-term human existence on the planet (DiGirolamo, 2021). As humans, we chase what we set as our goals. Redefining the goals for the individual and nation is important to reorient what we value and pursue.

At the national level, economic growth measured through GDP is the key goal that countries currently pursue (Rohner, 2018). However, GDP ignores various determinants of prosperity, such as the quality of social relationships, financial security and personal safety, health and longevity (Stiglitz, 2020). Moreover, it does not recognize the inequality among populations and fails to account for the depletion of natural, human and social capital on which the country's overall economic activity depends (Markou et al., 2015; Stiglitz, 2020).

BACKGROUND PAPER

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2.2 Why is it urgent to focus on redefining prosperity?

The planet is reaching and breaching its physical limits – our current development paradigm cannot sustain itself. While the need for sustainable development has been highlighted and collectively recognized in recent years, our individual and collective actions are far from putting us on a sustainable development path. We are now at a juncture in history where straining certain planetary boundaries any further would lead to catastrophic consequences with limited recourse to plough back (Persson et al., 2022; DiGirolamo, 2021). Beyond these tipping points, our collective ability to correct the course retrospectively (as some countries have done in the past) is marginal – making it imperative for us to act now and reshape the course of development towards a collective prosperity for all within a healthy planet.

3. What has been the progress thus far?

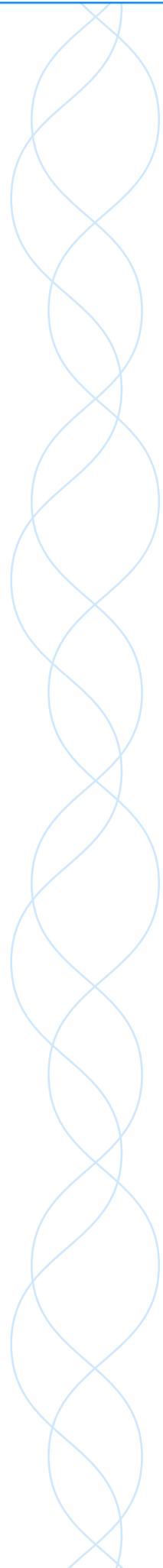
Major intergovernmental organizations like the Organisation for Economic Co-Operation and Development (OECD) and European Parliament have been exploring ways of measuring progress and well-being more broadly instead of considering GDP as the sole measure (Davies, 2014; OECD, n.d.). The OECD has pioneered the Better Life Initiative, recommending 11 indicators that people care about. Eurostat has developed a programme to include new indicators to ensure a better assessment of economic and policy performance (Markou et al., 2015). Bhutan uses an alternative to GDP through its Gross National Happiness (GNH) Index (Diplomat, 2010).

Recently, the Canadian government has been contemplating introducing a budget that would focus on new indicators of progress such as happiness and well-being by drawing on lessons from other jurisdictions such as New Zealand and Scotland (Tomaselli and Pai, 2020). Additionally, the European Commission's Beyond GDP initiative has explored indicators that account for social and environmental measures (European Commission, n.d.). Similarly, many states in the US are developing their own indicators of progress beyond GDP. The Genuine Progress Indicator (GPI) has been designed to take a fuller account of the well-being of a nation by incorporating environmental and social factors that are not measured by GDP. Maryland and Vermont have implemented GPI, and Utah and Hawaii are moving towards its adoption. In 2019, New Zealand embedded well-being indicators in the country's budgetary process (Stiglitz, 2020).

A few other complementary and alternative indicators to GDP have also emerged since the early 2000s, such as the Happy Planet Index, Green Savings and Green GDP.

However, despite small wins, we have not seen large-scale adoption of such measures or any major commitment to using them from countries. **While a new metric or set of metrics to measure prosperity may help, we need a larger shift in mindsets, narratives, policy priorities and business actions to better reflect what we value as a society and as individuals. The definition of prosperity needs to be sensitive to our core human nature, drive and aspirations – and their evolution.**

The intellectual advancement (in the form of indicators and metrics that can help nations) and a few state actors' recognition (in the form of commissions and parliamentary discussions) of the pursuit of prosperity have been realized. However, so far these have not reshaped policy, business and citizen choices at large. Thus, it is important to focus on what hinders our societies' reorientation towards a different measure of prosperity.



4. The biggest roadblocks in reorienting societies from 'growth' to 'prosperity'.

Given the very limited progress that societies and nations have made in reorienting themselves towards a new outlook for prosperity, it is important to identify the key roadblocks that hinder its adoption.

We conjecture that the overarching challenge is the absence of a mainstreaming narrative for this new outlook. The conversation is still limited to a few civil society organizations and select bureaucrats in a few states and countries, and it is not widely recognized yet. Unless a concerted effort is made toward building a wider and common narrative with consistent messaging, it is hard to imagine a shift towards embracing the redefined prosperity. Beyond this overarching challenge, we identify a few critical roadblocks.

National

- **International political relationships remain rooted in realism**, which could be a fundamental bottleneck for national states to look beyond the economic growth paradigm – especially if the broader pursuit of societal well-being undermines economic growth. A nation's influence in international affairs continues to be strongly determined by its economic heft and military strength (which in turn are strongly linked to the size of the economy). Moving beyond the pursuit of economic growth could make the first-mover nations vulnerable in the economic power struggle against countries that continue to single-handedly pursue economic growth over any non-material objectives.
- **Dependence of government revenues on GDP**. Prevailing models of government revenue strongly depend on taxes on formal transactions (which cumulatively amount to GDP) in an economy. Government revenues increase either by raising the taxes on transactions or by increasing the cumulative value of transactions in an economy. Elected governments rarely like to raise taxes; thus, growing GDP becomes the primary approach to increase government revenues. Unless alternative approaches to increase government revenue become significant, economies are unlikely to look beyond the pursuit of GDP growth.

Individual

- **Association of success to material consumption and wealth**. Over the twenty-first century, barring a few exceptions, most cultures across the globe have been influenced by and reinforced the idea of a successful life being one with a pursuit for and possession of material wealth. Status consumption has been consistently growing; the younger generations, including in emerging economies, are exhibiting status consumption (Kim and Jang, 2014; Nabi et al., 2019). Consumerism and association of happiness with 'having' or 'experiencing' rather than 'being' have further fuelled individual aspirations for material consumption and gains. The close association of success with material gains is a significant barrier in reorienting our societies to pursue redefined prosperity.
- **The influence of the collective (and hesitancy to deviate away from the social norms)**. While some individuals chart a pathway beyond material pursuits, and some want to do this, the majority confines themselves to 'business as usual'. It





is partly because, as social animals, we hesitate to be the odd one out. Unless a critical mass adopts an alternative, or there is a political, legislative or business validation of an alternative, most individuals will hesitate to follow the less beaten path (Bicchieri et al., 2018).

Businesses

- **Reliance on consumerism/consumption for growth.** Most businesses thrive by promoting greater consumption of the goods and services they offer, which directly leads to greater resource utilization. Excessive reliance on the model of consumption-led value generation for shareholders poses a barrier for businesses to reorient themselves from growth to prosperity beyond material wealth.

We would likely need a simultaneous shift in all three spheres – national, individual and businesses; any single one of them may not move significantly forward unless the other two also move along. However, it makes the transition towards redefined prosperity particularly difficult.

5. Proposal for action

A suite of initiatives is required for the world to adopt pathways towards a redefined prosperity, where we collectively benefit from a thriving natural environment and a cohesive society. It is equally important to recognize that some of the roadblocks highlighted above do not have easy answers, and global leaders must come together to collectively find solutions.

- **Global leaders must collectively recognize the need to redefine prosperity**

The fundamental step to chart a pathway toward redefined prosperity is to **generate a collective buy-in among global leaders across the public and private spheres** that recognizes the need to redefine prosperity for individuals, businesses, nations and societies. Leaders must not shy away from the radical nature of the approach but must be bold and lead the transformation from the front.

- **Define the fundamental principles of prosperity, with long-term human well-being in a thriving natural environment and cohesive society at its core**

There is a need to define the core principles that could be consistently applied at international, national, sub-national, business, societal and individual levels, **recognizing that the objectives of human, environmental and societal well-being may not all get encompassed in one indicator, and we may need a few collective indicators to assess our progress towards prosperity** (OECD, 2020).



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- **Mainstream the narrative within countries through consultative approaches to generate (political) buy-in**

Through consultative engagements with civil societies, businesses and citizens, the national governments should mainstream the idea of redefined prosperity as a measure of progress. Such approaches would create political room for the national and sub-national leaders to adopt the new indicators and outlook within policy priorities to reorient their societies in due course.

- **Redefined prosperity (and associated indicators) must go beyond their symbolism, and these must play an instrumental role**

National governments, businesses, communities and even individuals must start assessing their progress through the lens of redefined prosperity. The designers and implementers of redefined prosperity must embrace associated indicators for their instrumental use.

- **Strive for dematerialization and absolute decoupling of economic growth, combined with sustainable consumption and equitable resource distribution**

Geopolitical imperatives, as discussed in the previous section, may lead to the continued pursuit of economic growth as the fundamental pillar of redefined prosperity. In such a scenario, **it is necessary to dematerialize or increasingly decouple economic growth from the resource footprint – provided lifestyles are shaped towards sustainable pathways, and redistribution policies enable more equitable resource utilization.**

However, it is worth noting that while relative decoupling has been observed in many countries, absolute decoupling remains elusive. According to a 2016 study, no country has achieved absolute decoupling in the previous 50 years (Ward et al., 2016). Economic sectors that are less dependent on resource use for value generation, such as certain service sectors and various IT industries, may hold the key to decoupling economic growth.

- **The role of wealth tax can be instrumental in furthering the redefined prosperity agenda**

As slower growth in GDP may limit government revenue expansion, governments should explore alternative revenue streams, including wealth tax. **Expanding the net and the extent of wealth tax could not only provide additional revenue to governments, it can also become an important lever to mitigate excessive resource consumption.** The economically rich and wealthy have a disproportionately high resource footprint (Barros and Wilk, 2021); additional taxes could help reduce their business-as-usual resource consumption. Complementing the strategies with the effective narrative building could also help reshape the aspirations of middle-income groups towards redefined prosperity. Countries like Denmark and Sweden that had previously abolished wealth tax are planning to reintroduce it to mitigate increasing income and wealth inequalities (Ummelas and Pohjanpalo, 2021). Many scholars and elected representatives are advocating for a tax on wealth in countries that have never taxed wealth, such as the US, Australia and South Africa (Hansson, 2010; Wyden, 2021).





However, the wealthy in a system typically wield the most influence, and thus, bringing them along in the agenda is essential to ensure they do not become an opposing force to this transition (Nguyen, 2021).

- **Businesses, especially the large corporates, must leverage their leadership to reshape what people value**

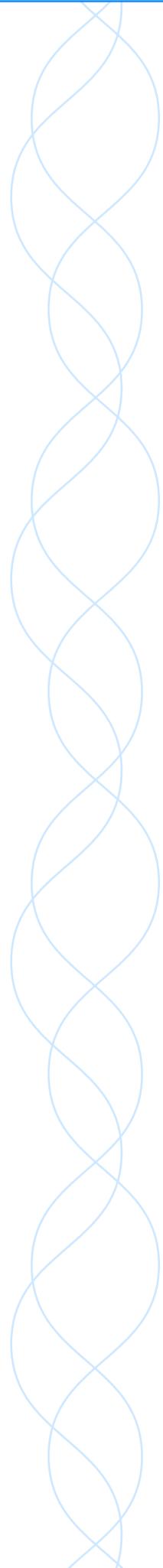
Over the twenty-first century, nothing has shaped people's perceptions more than businesses through their multi-touchpoint marketing approaches. What we, as humans, value is strongly influenced by what businesses nudge us to value (Alexander et al., 2011). The approaches so far have been used to ignite and fuel consumption and consumerism. Both investors and regulators need to nudge businesses to leverage the same approaches to shape what individuals and society value. In effect, businesses need to evolve their models to reduce their over-reliance on consumption to generate value for their shareholders.

6. Conclusion

The world, while progressing economically, is witnessing unprecedented social inequality and environmental degradation. We need a radical shift beyond our pursuit of mere economic growth toward overall human well-being within a cohesive society on a thriving planet. The change is imperative among individuals, nations, businesses and other non-state actors. Only a widespread recognition of the challenge that we are amid, and the collective imagination of the future we all aspire to, can help bring about a critical mass of voices for change. Redefining prosperity for all is the first step in embracing a renewed pursuit of prosperity for ourselves – individually and collectively.

beliefs risks undermining democratic accountability and effectiveness of global governance. The legitimacy gap also poses a risk in that it could weaken trust more generally; trust is a core value expressed in the UN Common Agenda.

Given the confidence gaps between elites and young people, as well as between elites and people with a lower socio-economic status, the legitimacy gap bears the risk of limiting the UN's ability to follow up on the commitment to "leave no one behind" and "listen to and work with youth". We recommend that the UN promote awareness of the gap among domestic and global policymakers, non-governmental organization representatives, and other actors working in relation to global governance.

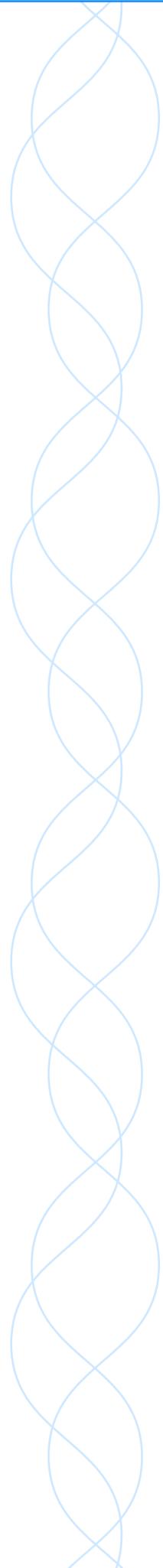


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8. Annexure

8.1 Beyond GDP indicators – case studies

Over the years several countries have adopted beyond GDP indicators. In this section we discuss countries that have officially adopted or are planning to adopt beyond GDP indicators and learn from these national experiences.

The table below covers what types of indicators have been adopted, who initiated these new indicators and why these indicators were adopted.

Country and indicator/initiative name	What?	Who?	Why?	To what end?
Australia – Measuring Australia’s Progress (MAP)	<p>Australia set up beyond GDP indicators in 2002</p> <p>The dashboard consists of 26 dimensions grouped into 4 major themes: society, economy, environment and governance</p> <p>For each theme, the Australian dashboard publishes yearly changes based on three classifications: progress, regress and no great change</p>	<p>The initial momentum for the MAP project came from the former Australian Bureau of Statistics chief statistician Dennis Trewin, who wanted to integrate national progress measurements into official statistics</p> <p>In order to carry out this project Mr Trewin teamed up with collaborators and engaged in dialogues with three major stakeholders: statisticians, politicians and civil society</p> <p>The dialogue with statisticians was very complicated</p>	<p>The indicators were designed to help citizens consider progress in an integrated way</p> <p>The dashboard holds particular interest for the media and general public and is regularly used by political staff in their media interventions</p>	<p>The MAP developers chose the general public as their main audience</p> <p>MAP has been made available to users and the general public and has been the subject of many reports and publications</p>



Country and indicator/initiative name	What?	Who?	Why?	To what end?
<p>Belgium – the ‘complementary indicators’ Act</p>	<p>The new indicators in addition to GDP are very recent in Belgium and were initiated as a result of an Act in 2014 that sets the goal of developing indicators to complement GDP in order to measure quality of life, human development, social progress and the sustainability of the economy</p>	<p>This Act is a result of parliamentary majority and was an initiative of the Belgian Senate</p> <p>In 2012, a Senate working group on ‘new indicators for economic performance, social progress, quality of life and happiness’ was created and was chaired by a Member of Parliament who supported the uptake of new indicators</p> <p>Due to various political reasons, the Member of Parliament had to relinquish the working group chair</p> <p>The working group tasked the Belgian Federal Planning Bureau with developing indicators to complement GDP</p>	<p>The Act provides an opportunity to propose a different perspective on societal goals and development models and to define ‘new kinds’ of policy objectives</p> <p>Additionally, there is a need to focus on ecological issues linked to the physical limits of the planet</p>	<p>The primary objective of Ecolo (the first party to launch the initiative) was to shift policy focus by introducing new indicators that would reframe the political discussions and arguments around well-being</p>
<p>Bhutan – Gross National Happiness (GNH) Index</p>	<p>GNH is a multidimensional measure of sustained human well-being across 9 domains: psychological well-being, health, education, time use, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience, living standards</p> <p>The GNH Index has 33 indicators in the 9 domains and seeks to measure the nation’s well-being by looking at each person’s achievements against each indicator</p>	<p>GNH was first introduced by the fourth king of Bhutan, King Jigme Singye Wangchuck, in 1972</p> <p>In 1961 Bhutan initiated its first five-year socio-economic development plan, but it was not until over a decade later that those wide-ranging socio-economic reforms led to improvements in education, rural development, urbanization and tourism as well as a decentralization of political power</p> <p>During these reforms, King Jigme Singye Wangchuck declared GNH as more important than GDP</p>	<p>The king of Bhutan was determined to find a way to protect and preserve the cultural and spiritual wealth of his people, keeping in mind the idea of their greater well-being (Thinley & Hartz-Karp, 2019).</p> <p>He wanted to make sure that the change for his people was human centred and holistic and this integrated thinking led to the conception of Bhutan’s GNH Index</p>	<p>The GNH Index supports policymaking in Bhutan</p> <p>Policy selection tools are used to review the potential effects of proposed policies on GNH and the results from the GNH Index are tracked and used over time to evaluate interventions (University of Oxford, 2008)</p>

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Country and indicator/initiative name	What?	Who?	Why?	To what end?
Germany – W3 indicators	Germany introduced the W3 indicators, which include 9 indicators that complement GDP and encompass the three dimensions of ecology, economy and well-being	<p>Many people in Germany, including politicians and researchers, believe that GDP is an outdated indicator to measure society's prosperity</p> <p>As a result, the W3 indicators were derived from the work of the Study Commission on Growth, Wealth and Quality of Life set up by the Bundestag in December 2010</p> <p>Replacing GDP with a single alternative index was rejected by the commission</p>	<p>The main idea behind setting up of this commission was that GDP was unable to reflect the prosperity of society</p> <p>The commission aimed to put the role of traditional indicators – first and foremost GDP – into perspective in public and political debate</p>	<p>In order to ensure the political effectiveness of these indicators, publishing and computing them is not enough</p> <p>The study commission has suggested that the federal government should take a consistent position on W3 indicators at regular intervals</p>
United Kingdom – Measuring National Well-being Programme (MNWP)	<p>The UK produced a dashboard of beyond GDP indicators in 2011 under a national programme for measuring well-being</p> <p>The dashboard contains more than 30 indicators covering domains like health, social relationships, economic security, education, the environment and measures of subjective well-being</p>	<p>The initiative was supported by Prime Minister David Cameron and is headed by the UK Office for National Statistics (ONS)</p> <p>The Stiglitz Commission is considered one of the sources that inspired this initiative</p> <p>The first phase of this project involved a large-scale public debate from November 2010 to April 2011 to gather insights on what mattered to British people</p> <p>The debate was conducted both online and at various events across the country and covered overarching questions such as: What things matter to you in life? Of the things that matter to you, which should be reflected in measures of national well-being?</p>	<p>The programme was established in response to a growing demand, both in the UK and internationally, for new measures beyond the traditional ones of economic activity such as GDP</p> <p>The British government would like to use the dashboard to measure the before and after impacts of public policies</p>	<p>The main objective of this programme was to develop a trusted set of national statistics that can be used as a primary source of information to assess the UK's state of well-being</p> <p>The ONS reports on the MNWP are published monthly, each focussing on a specific dimension of well-being</p> <p>It has been found that MNWP indicators are widely used to broaden the views of policymakers with respect to social problems</p>

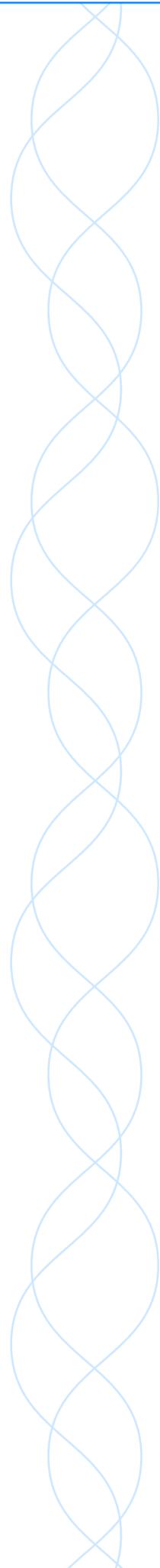


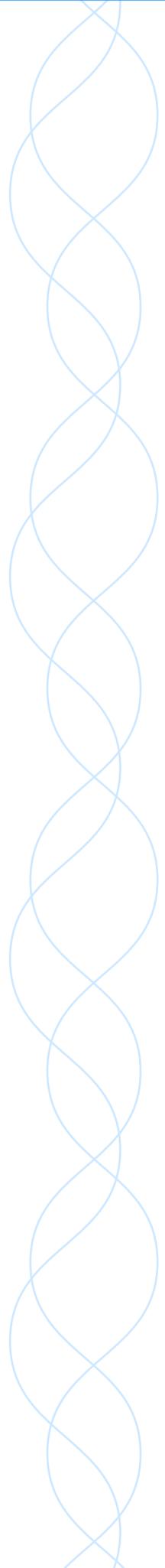
A few lessons learnt from the above national experiences

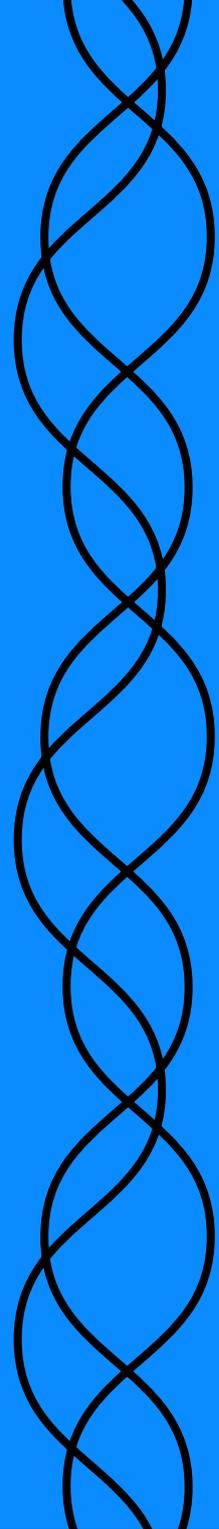
- One important lesson learnt is that beyond GDP indicators complement rather than replace GDP.
- Initiatives to complement GDP are being supported at the highest level. For example, in the UK the executive power supported the well-being programme, in Belgium there was support from legislative power and Australia received support from administration.
- There are different possible uses of indicators evident including:
 - **Symbolic role**, seen 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.
 - **Political role**, seen in Belgium, where the indicators are developed to assess the government's performance.
 - **Instrumental role**, where the indicators are used to measure the impacts of specific public policies.
- It can be observed in some cases, specifically in Bhutan, that religion and cultural values play an important role in the adoption of beyond GDP indicators.
- Parliaments and governments have triggered the formalization of beyond GDP indicators in many countries.
- Additionally, statistics institutes play a strategic role in implementing the beyond GDP indicators.
- Consultation and deliberation processes on indicators used with the civil society heighten the symbolic and political power of the beyond GDP indicators.
- GDP is used in an instrumental way, which is not always the case for beyond GDP indicators. Hence, there is a need to consider the benefits of an instrumental use for beyond GDP indicators. However, it is also difficult to firmly embed the instrumental use of beyond GDP indicators as many of them are aggregated indicators.

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