

POST-ELECTION BRIEFING: BETTER DATA FOR INFORMED, TRANSPARENT DECISION- MAKING

RSS manifesto ask

The assessment of policy proposals to extend beyond their impact on economic growth to their impact on societal wellbeing, inclusiveness and sustainability.

Summary

Economic growth – measured by GDP (gross domestic product) – is a key consideration when the government assesses the impact of potential policy interventions. It is not, though, the sole consideration that should (or in fact does) drive policy decisions. For all governments wider considerations play into their decisions. We encourage the government to follow the example of New Zealand in drawing upon the [UK's wellbeing measures](#) to set out additional measures against which to assess policy and to formally consider the impact of policy proposals in these areas.

What's the problem?

Economic growth is, understandably, a focus of the new government with early policy decisions – especially around planning – being made with an eye towards their impact on GDP (gross domestic product, the primary measure of economic activity). GDP is an important and enduring measure: it is convenient (in simultaneously measuring production output, consumption expenditure and income), simple (in providing a headline figure) and is available for all countries (allowing comparison). Growing GDP is considered desirable based on the idea that more economic activity, generally, means a better life.

This does not mean that it is the only important measure, or that increasing GDP should be the only impact that we seek to measure when making policy decisions. Problems with pursuing an increase in GDP without wider considerations include:

- Social costs of pollution and similar outputs associated with economic activities are incompletely accounted for.
- The depletion or loss of assets such as natural resources boosts GDP in the short term (because they are used in economic activities) but long-term opportunity costs are not weighed against that.
- There is no distributional element to the measure – an increase in economic activity among the richest in society, with a decrease among the poorest, can still show in the headline as increasing GDP.

So, while in general terms increasing GDP is likely to be beneficial, it is at least possible for a government to make policy decisions that increase GDP but that are also unsustainable and unlikely to increase society's general wellbeing. It is important that a range of measures are used when evaluating policy so that any decisions that involve trade-offs can be made deliberately.

No government is guided in its decision-making solely by considerations around GDP. Indeed the Treasury [Green Book](#) requires an appraisal of the impact of proposals on the welfare and wellbeing of the public. But there are few details on how this should be conducted. Our concern is that when economic policies are assessed for their potential impact, it is only the impact on GDP that is quantified and measured. Other factors certainly play into decision-making, but not in the open and transparent way that is conducive to achieving government's desired outcomes.

How to fix it

We propose adopting a system like New Zealand's [Living Standards Framework](#). The New Zealand Treasury uses the framework to help it allocate fiscal budgets in a manner that is consistent with their government's objectives around societal and economic progress. The government clearly sets out the measures that are important to it, in addition to GDP, and evaluates fiscal policy against its impact on a range of measures. The Welsh Government, similarly, has set out explicit [wellbeing goals](#).

The UK has, since 2010, been developing a suite of additional measures to capture national wellbeing. These have been selected through consultation to reflect what matters to people. They are published by the ONS as a [UK Measures of National Well-being Dashboard](#). This is a useful resource for tracking a range of measures which help give a picture of the overall state of the country. However, we do not get the sense that policy (especially fiscal policy) is deliberately designed with a view towards its impact on these measures.

We would like to see some of these measures used more intentionally to inform the policy-making process. This means government publicly setting out which measures it takes to be important and for the Treasury assessments of policy proposals to consider their impact on those measures in addition to projected impact on GDP.

We also note that the international [System of National Accounts](#) are currently being updated. The UK is expected to adopt the new version, which will be launched in 2025 and which may include a different headline measure to GDP.