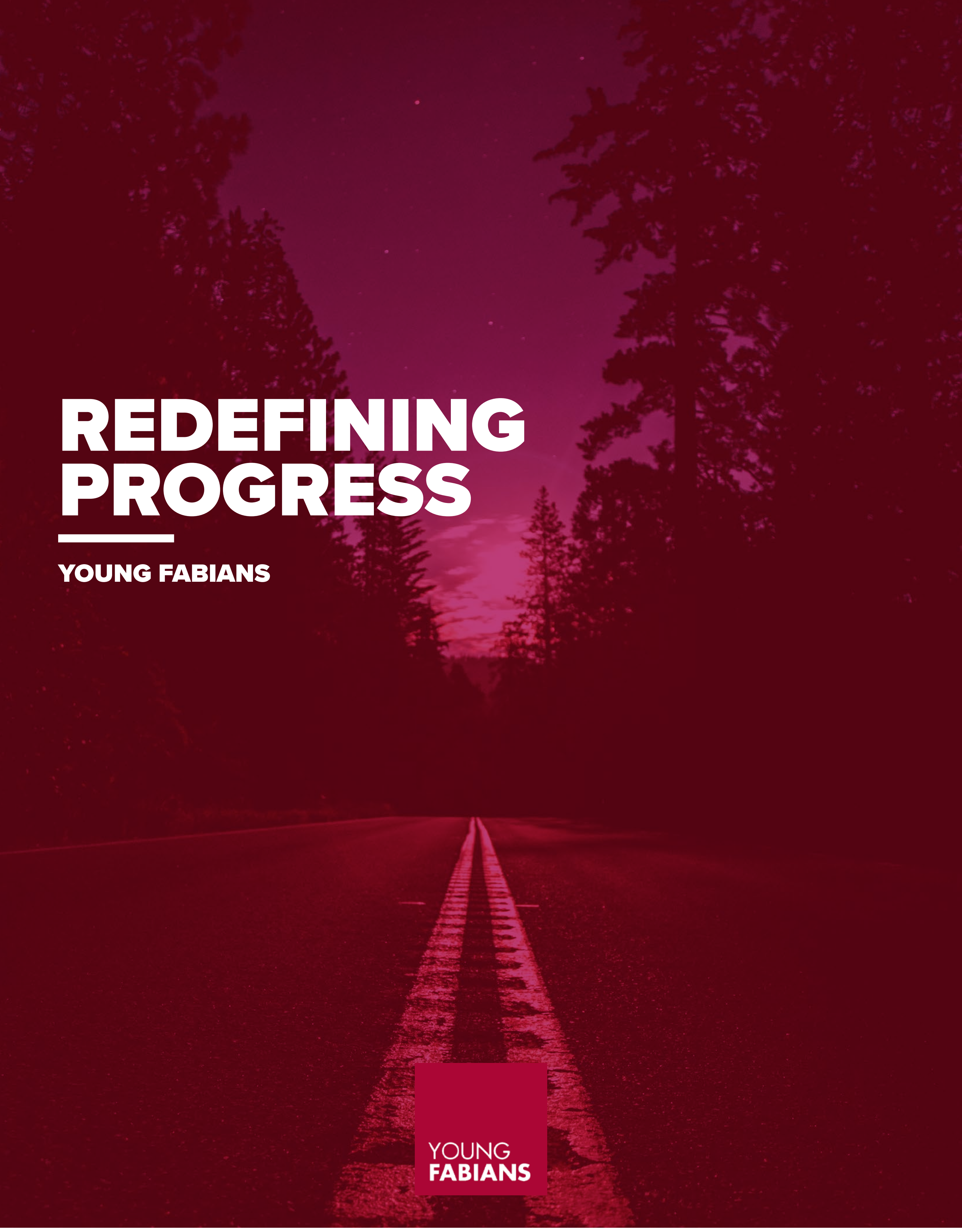

REDEFINING PROGRESS

YOUNG FABIANS

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Foreword by **John McDonnell MP**

Edited by **Andrea Grainger and Marion Mayer**

Redefining Progress

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Young Fabians

info@youngfabians.org.uk

www.youngfabians.org.uk

Young Fabians

61 Petty France

London, UK, SW1H 9EU

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JOHN MCDONNELL MP

FOREWORD

Time to rail against the hegemony of the old economic categories

Next November's COP26 UN climate change conference in Glasgow will be a critical moment in the fight against runaway global heating.

The Covid 19 pandemic has served as a pressure test on our economy and society. It has revealed what are the basic essentials we need not just to get by but to even survive. It has forced upon us a reassessment of what we value.

It has also exposed what works and what doesn't in delivering what we need and what we value. Of course, as the tragedies of Covid related sickness and deaths occurred, there was an outpouring of solidarity, especially with the Carers and NHS workers, who were on the front line facing the impact of the pandemic.

Wonderful examples of mutual aid schemes like food banks and neighbour support networks have blossomed.

People have looked back and thought "how did we allow our NHS and our carers to be neglected and treated in a way that left these essential services so under resourced, disrespected and so unprepared to deal with a crisis like this?"

There have been remarkable conversations broadcast about how people rediscovered birdsong in the relative traffic free quiet of the lockdown and could taste the freshness of the air they breathed as the pollution from the roads and airports rapidly declined.

The pandemic is now being followed by a recession involving job losses on a possible scale not seen since the 1980s.

The Conservative government's response appears to be a repetition of their 1980s mantra, which was that unemployment is a price worth paying to reconfigure our economy.

Their policies are aimed at the restoration of bottom line profit by any means necessary. Lip service is being paid to the need to tackle climate change whilst grotesque levels of social hardship and inequality persist unaddressed. They have had the temerity to seize upon the slogan "Build Back Better" that originally came from the Left.

We want to build better but we do not want and cannot allow our society to go "Back" because this means going back to a society and economy where, in that famous aphorism, "they knew the price of everything but the value of nothing."

We need to claim a new future based upon what we really need and value.

That's why the articles in this booklet strike such an important chord.

Now is the time to rail against the hegemony of the old economic categories and open up the discussion of how we assess economic objectives and economic performance on what we truly value and what we believe we really need to achieve a good life.

John McDonnell

Shadow Chancellor, 2015-20

INTRODUCTION

When Tony Blair assumed office in 1997 Britain had a GDP of roughly $1.5 trillion. Since then our GDP has nearly doubled, and the British people are consuming nearly twice as much stuff every year. The next Labour Prime Minister will be coming to power in a very different environment from their predecessor.

As economies develop it is natural that the values of the people and the priorities of their government will change. This pamphlet explores part of that change; The shift away from GDP as the sole measure of economic progress to more holistic measures taking into account more of the things that make human life good.

At an international level, this change is being pioneered by the 'Wellbeing Economy Government's Initiative' which currently includes the governments of Iceland, Scotland, Norway, Wales and New Zealand. The articles in this pamphlet contain a variety of policy recommendations. On top of these recommendations we would like to ask a Labour Government to make the UK a member of the 'Wellbeing Economy Government's Initiative' and take advantage of the growing body of international knowledge and expertise on this topic.

Andrea Grainger is a researcher working with Labour for a Green New Deal, Labours Environmental Campaign, and the Fabians Environmental network to develop a policy platform to respond to the issue of Environmental Limits to Growth.

She lives with her fiancee in Brighton, and is a fan of strategy board games.

Marion is a Psychologist and currently working for Google as a project manager. Her main interests are behavioural finance and the influences of psychological biases on our decision-making.

EXECUTIVE SUMMARY

This compilation includes seven articles.

1. GDP Cannot Measure Happiness - By Joe Wates

Joe examines the connection between GDP and Happiness. He starts by explaining that the inventor of GDP never intended it to be used as a general metric of national progress, but that GDP was useful for governments in the 30s, 40s and 50s. GDP growth helped to improve the war effort and create jobs for people.

Joe then highlights how GDP was subverted by Thatcher and Reagan in the 1970s who claimed that their economic policies would lead to more growth and thus job creation. This didn’t happen and the growth in that period mostly benefited a tiny minority of wealthy people.

2. Half Measures; Why Economic Health is Not Just GDP Growth - by Matthew Oulton

Matthew Oulton examines the relationship between GDP and standards of living. Matthew highlights that GDP growth is useful for maintaining high employment levels, which provide many benefits for individuals and for society. Matthews also highlights that GDP is important to help us pay for public services like healthcare, and he highlights that many countries today want to keep their public debt to GDP ratio down, and lower GDP growth makes this more difficult.

Matthew then highlights some flaws with the GDP metric; it only considers economic activity, not whether the activity is providing anything of real value. He highlights the case of Ireland, which is a popular site for tax dodgers who inflate Ireland's GDP figures without actually contributing anything to the Irish populace. Matthew also highlights the problem of inequality; inequality causes substantial social problems, and in very unequal nations the benefits of GDP growth may not reach the bulk of the populace, instead only benefiting a small minority of rich people.

3. It’s Time to Put Healthy Life Expectancy at the Core of Defining Progress - By Jack Parker

Jack examines the relationship between GDP, health and life. Jack starts by highlighting the importance of long healthy lives, and the positive gains in life expectancy that have been achieved thanks to GDP growth in the past. At the same time he highlights the big differences in life expectancy between nations with similar levels of GDP, and the big regional differences in life expectancy in the UK.

Jack highlights these regional differences as an important thing that the British government needs to address. Jack then considers the future advances in anti-aging technology and the divide this could create between richer and poor citizens in the UK. Jack finishes by highlighting some areas where the government could invest to improve life expectancy in the UK.

4. Measuring and Growing Britain's Natural Wealth - by Andrea Grainger

Andrea examines how we might protect Britain’s natural capital stocks and reports on these stocks alongside GDP. Andrea starts by highlighting the extent of the environmental crisis we face. She explains what the Conservative Party have promised to do to protect our natural capital stocks, and how their rhetoric has not been matched by their actions.

Andrea then highlights the popularity of environmental policies, and posits that some people consider protecting the environment more important than GDP growth. She highlights the need for a national survey of Britain natural capital stocks, and how the results of this survey could be reported to the public and used as a baseline for annual reporting on the state of our natural capital. Andrea then highlights proposals made by the

Natural Capital Committee on how we could protect and improve our natural capital stocks.

5. Should the UK Introduce a Four-Day Working Week - by Hannah Fuchs

Hannah discusses the possibility of the four-day working week. She starts by highlighting Labour's previous commitment to the four-day week in our 2019 manifesto. She then examines case studies showing positive productivity gains from a shorter working week, and improvements to mental and physical health.

Hannah then highlights the benefits that a shorter working week would provide for domestic workers, who tend to be women. Hannah then examines the potential for a shorter working week to help us cope with Covid and Brexit, and with the mass automation of jobs that is predicted to happen in coming decades.

6. GDP as a Complimentary Measure of Efficiency - By Guilherme Rodrigues

Guilherme Rodrigues examines the connection between GDP and the Prosperity Index developed by the Legatum Institute, and how we can use our GDP more efficiently. He starts by highlighting some problems with GDP; it doesn't take account of environmental damage, and the poorest people in Britain haven't benefited from GDP growth in recent decades.

Guilherme then highlights some other metrics of success beyond GDP which are useful but don't show the complete picture. Guilherme highlights the Prosperity Index as one of the most comprehensive measures in use today, and shows the strong correlation between GDP growth and the prosperity Index.

Guilherme then highlights outliers in this data and shows that some nations are much more efficient with their GDP than others, managing to achieve more prosperity with less GDP. Guilherme highlights the Preston model as an important way to make local governments more efficient at providing prosperity, and highlights decommodification of essential services like health care and education as another way to improve efficiency.

7. Comparing Popular Alternatives to GDP by Chris Wongsosaputro

Chris examines a variety of different alternatives to GDP used around the world today. Chris looks first at the World Happiness Report, then the Human Development Index, the Genuine Progress Indicator, Gross National Happiness, the Happy Planet Index, Green GDP, the Gross Environmental Sustainable Development Index, the Buen Vivir system used in Ecuador and Bolivia, the 'New Wealth Indicators' used in France, the Equitable and Sustainable Well-Being programme in Italy, the 'Living Standards Framework' used in New Zealand, and the 'New Measures of Wellbeing' used in Sweden.

Chris then makes some recommendations for what they think the UK parliament should do.

GDP CANNOT MEASURE HAPPINESS

By Joe Waters

Happiness is neglected as a political measure. Every meaningful agenda claims to pursue some version of welfare and life satisfaction. Not everyone agrees on what constitutes happiness though, let alone the ways to bring it about. Therefore, it's often useful to outsource philosophical concepts such as this to statistics: things that seem to pass for a measure of well-being. Such is the situation with the Gross Domestic Product. In the post-war period, this set of calculations has colonised the entire world, engineering itself into the very heart of political decision making.

In order to explore the relationship between happiness and GDP, I first need to dive into its history, looking at the decisions and beliefs that enabled its current global dominance. I will then analyse the dubious relationship between current findings on life satisfaction across the globe and levels of GDP per capita. Finally, I will outline an alternative approach to policy-making that would better address questions of happiness and well-being, without the need for such unproductive veneration of a single statistic. Outsourcing political thought to numerical measurements is a get-out clause and nothing more. To truly make use of the numbers, it is first necessary to know what you want to achieve.

GDP was first conceived of by American statistician and economist Simon Kuznets in 1934, in a report for the US congress. It is calculated by adding up the total income of all the residents of a country, or their total spending, combined with the output of goods and services produced. Problems with this are already apparent – it does not take into account environmental impact, unemployment or distribution of wealth, let alone happiness. Its use value seems fairly small. Ironically, even at its birth, Kuznets highlighted the "illusion and resulting abuse" inherently possible with "measurements of national income," due to their pertinence in "matters that are the centre [sic] of conflict of opposing social groups where the effectiveness of an argument is often contingent on oversimplification." Essentially, if used without nuance, GDP could become a weapon of those trying to enforce a certain simplistic kind of marketisation. The flaw in this is obvious. As Kuznets says himself: "economic welfare cannot be adequately measured unless the personal distribution of income is known."[1]

At the same time, in the aftermath of the great depression, GDP was exactly what the US government needed. In his 2017 book Utopia for Realists, Rutger Bregman describes how "the GDP was an excellent yardstick for the power of nations in a time of war."[2] While in the midst of a global conflict such as WWII, it might make more sense to "borrow from the future," "pollute the environment and go into debt" and perhaps even "to neglect your family, put your children to work on a production line, sacrifice your free time and," in Bregman's words, "forget everything that makes life worth living."[3] All these would increase GDP. The problem was, in the peace that followed, politicians had become so attached to the certainty of unthinking statistical measurement that, rather than receding in prominence, it found itself at the centre of political discourse.

This reason for this is understandable. With many nations in debt and disrepair in the aftermath of the war, a simple, replicable path to recovery was needed. As Dirk Philipsen writes in his 2015 history of the GDP The Little Big Number: "Economic growth seemed a straightforward answer in the minds of those responsible for national accounting during and after the war [...] The rationale was simple: to avoid the calamities of depression, war, and revolution, people needed jobs and incomes, industry needed investment and demand, markets needed to function."[4] Simply put, in Europe and America, GDP seemed like a magic bullet around which a functioning post-war society could be built. At first, despite Kuznets' protestations, it didn't manage too badly at the role. GDP could be increased by keeping people in employment so social safety nets were put in place and jobs were created. It gave an apparently "rational" underpinning to many aspects of post-war consensus politics.

People seemed to forget that the GDP had not been designed for such usage and the ground it gave to apparently positive policies was more accidental than calculated. Nevertheless, in the thirty years after the war, the two did not diverge so much as to upset these ideas. However, as the 1980s came into view, a new orthodoxy was coming into being. Thatcher and Reagan, and their thinkers and followers, used GDP as a tool with which to orient economic hearsay toward rampant individualism, benefiting a small minority, mostly composed of high-ups in the financial sector. That this led to increased unemployment and societal unrest seemed not to matter. GDP had supplanted any system of values and become a device that could credibly justify any policy required.

These tendencies toward serving a disembodied "economy" have become increasingly more powerful in the last 40 years. You need only observe the post-lockdown drive to "get the economy going again," to see this mindset in action. The question is: has this really made people happier? Is our financialised world really conducive to mental well-being? What is the alternative? The first step to any sort of answer lies in statistics of another kind. Funnily enough, until recently, economic statistics such as GDP and GNP, were one of the only measures people used to determine societal wellbeing. However, the World Happiness Report now measures the extent to which people are happy with their own lives through a revolutionary technique: asking them directly. Of course, self-reporting has its downsides – cultural norms can be a factor in people's response – but it is undoubtedly at least as valuable as GDP in this regard and can show some useful trends.

Looking at the scatterplot of the 2018 life-satisfaction ratings from the report and the World Bank's 2017 GDP per capita data (also known as Purchasing Power Parity – PPP), created by Our World in Data, we see an apparent positive correlation (admittedly with some significant outliers).[5] Switch the view from "logarithmic" to "linear," however, and a more complex picture is revealed.[6] There seems to be correlation between the two categories in $500 to $20,000 range, which makes sense. While not a panacea or the only way forward, economic growth can help lift developing countries out of poverty. It is worth noting, though, that many of the countries in the lower regions of PPP and life satisfaction were, at the time the data was taken, plagued by terror and conflict. It is no surprise that residents of Afghanistan, South Sudan and Yemen (to name a few) would report exceedingly low levels of life satisfaction (around three out of ten) given what their nations have recently endured. In these circumstances, low GDP is also to be expected.

Moving up the life satisfaction ladder, things get even muddier. Pakistan (PPP: $5,035) has a life satisfaction (5.83 out of ten) almost identical to that of Japan ($39,002) and less than one point below Spain ($34,272) and Italy ($35,220), as well as Saudi Arabia, Kuwait and Singapore (the latter of which has a GDP per capita of $85,535). In the $20,000 - $40,000 bracket, the correlation becomes somewhat debatable. Higher than that, and there is seemingly almost no correlation at all. Living in Qatar, the country with highest PPP in the world ($116,936) – the only one with six figures (as of 2017), you're still likely to find yourself marginally less unhappy than a native of Mexico ($17,336).[7]

For an example closer to home, despite streaking out ahead of most countries in terms of PPP, Ireland ($67,335) and the United States of America ($54,225) still only just about breach the seven-out-of-ten mark for average life satisfaction. Meanwhile, as well as Norway (whose PPP is higher than the previous two), Iceland ($46,483), Denmark ($46,683) and Finland ($40,586) all manage to comfortably exceed seven point five, with New Zealand ($36,086), Israel ($33,132) and even Costa Rica ($15,525) not far behind (and that's naming only a few).[8] Yes, the difference in the satisfaction measurement is fairly minimal but, the point is, the differences in GDP are not. Many of these countries, according to the GDP measurement, are vastly wealthier than their happier counterparts. Yet, their citizens are likely to be no happier (or even more unhappy) than those with apparently much less material wealth. GDP, for developing countries, could be considered a rickety but moderately useful indicator of general welfare. For most of the global north, however, it is next to useless.

What, then, is the alternative? Bregman brings up measures such as “the Genuine Progress Indicator (GPI) and the Index of Sustainable Economic Welfare (ISEW), which also incorporate pollution, crime, inequality and volunteer work in their equations” and the “Happy Planet Index, a ranking that factors in ecological footprints.”[9] Bhutan has even invented its own – Gross National Happiness – which, last year, was adopted by New Zealand. However, as Bregman points, what we really need is “a “dashboard” of indicators to track the things that make life worth living – money and growth, obviously, but also community service, jobs, knowledge, and social cohesion.”[10] Essentially, for effective policy making, we need a panoply of statistics at our disposal, to help fine-tune our ideas. Different statistics will be relevant for different areas – there is no single silver bullet. To make use of any of these however, we need to bring the debate back into the realm of values. What do we value as a society? What are the prerequisites for a fulfilling life?

Classicist Raymond Geuss offers some interesting insights in his essay “Happiness and Politics.” He comes to the view that “public happiness means providing some objectively specifiable set of accessible resources and services to all members of the society so as to ensure that each has at least a minimally defined standard of living.” This means not only “health care, food, shelter” but also “the satisfaction of various human psychic and emotional needs” from the arts (“public radio [...] performances of concerts, [...] art galleries”) to mental health provision (“extensive pastoral services”).[11] Combine this with Plato’s notion of “all the essential functions of communal human [... being] performed as well and efficiently as possible” and you have a recipe for effective policy making on happiness.[12] Many of the ideas that stem from this would not increase our GDP. However, they would certainly increase well-being. If that is not reason enough to pursue a policy, then what is?

In the modern world, GDP is a shackle to creative and effective policymaking. It no longer provides a good indication of levels of equality, employment and, most importantly, well-being. Thus, we need to move beyond it. We need to ask the big questions about what constitutes a fulfilling existence. We need to work out what is essential to the running of a society and, from there, we need to build out a vision of policy-making that attempts to combine the greatest degree of happiness for all. It will not be easy. It is not tried-and-tested. However, if we stay in thrall to this statistic then we will hurt the planet and ourselves. Breaking free is not only desirable; it is essential.

Joe Waters is a first-year student of Politics with International Relations at the University of York. He is interested in feasible, fallible utopian thought that champions mental health, sustainability and time freedom. He recently interned at the Next Century Foundation for Peace.

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HALF MEASURES: WHY ECONOMIC HEALTH IS NOT JUST GDP GROWTH

By Matthew Oulton

In 1968, Robert Kennedy said of Gross National Product, "It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile."

In the media today, economic success is synonymous to Gross Domestic Product growth. Gross Domestic Product, in simple terms, is the total value added for a country in a year. The primary purpose of economic policy is to deliver as high a growth rate as possible. Output, though, is not something people can feel – it's not something that anyone actually cares about in isolation. A colossal effort is taken each year to measure the total value of goods produced in the UK, despite GDP not being a variable that directly affects people's lives. Of course, GDP correlates, to a greater or lesser extent, to numerous variables we do care about, overall wellbeing, employment, health outcomes for example. However, using GDP as a heuristic loses a lot of nuance. The input variables used to calculate GDP are important, and there is no way to infer them from a single figure. Despite a positive growth rate for the past 10 years, the UK has seen stagnant standards of living improvements, especially among non-pensioners[1]. Added to continued weak productivity growth, the GDP is increasingly becoming distinct from the economic health of the nation. Short-term growth is slow and distributed unequally, and it looks unlikely to be converted into better lives for people in this country.

When analysing the correlation between standards of living and GDP, the first thing to note is that GDP is a flow variable, not a stock variable. It represents the Output in a given year, not the total wealth of a country. If the government decided to knock down Number 10 Downing Street and then rebuild an identical property in its place, they'd need to pay both a demolition expert and a construction firm for both tasks. After much unnecessary expenditure, though, there would be no palpable benefit from this project whatsoever. Nobody, except the construction and demolition workers, who could've been given a handout instead, is in a better position. GDP, however, would count both the demolition and the construction as value added.

To be clear, GDP does correlate with a series of important metrics of economic health. However, correlation, as any statistician will tell you, does not imply causation. The concentration on GDP as a policy goal in itself can lead policymakers to sacrifice the variables that actually matter in exchange for topline growth. Take employment, for example. Employment offers myriad benefits; it usually shows efficient use of a country's labour, it represents a relatively efficient way of putting money into the hands of workers. Unemployment, on the other hand, significantly lowers mental wellbeing and life satisfaction[2]. People, in general, want to be employed, above and beyond the financial benefit[3]. The positive relationship between employment and output (GDP) is known as Okun's law and has been demonstrated empirically[4]. If the growth rate falls, therefore, employment will generally fall as well. Widespread structural unemployment presents automatic fiscal threats, as claims for Job-Seekers' Allowance or Universal Credit would rise. Both of these systems are poorly tailored for an economy in which growth is absent or slow. Structural unemployment can also do intense damage both to individuals and communities. One option would be to reduce the working week, allowing fewer hours of work to be spread across many workers. In an economy in which worker productivity is decreasing, however, this only works in the short run. A shift in emphasis from GDP growth to employment, therefore, shouldn't mean advocating permanent recessions. It's still vital to maintain high employment, which usually necessitates growth.

Tax revenue also generally correlates to growth. Since direct taxes (income tax, capital gains etc.) are generally progressive, when incomes fall, so does the proportional tax rate[5]. Likewise, though indirect taxation generally falls as a proportion of GDP when income rises, the total tax-take from VAT and other indirect taxes falls when GDP growth is low or negative. As a result, tax hikes or increasing borrowing would be required to maintain current spending levels with a lower growth rate. The causal variable here is really household consumption, which isn't the same as GDP, but is a very large component of it in the UK. A growing country will have a naturally growing tax base, putting the burden of change on small government conservatives, rather than on those who want to expand the role of the state in our economy. Reversing or slowing this trend could stack political capital against the left. Strong public services are undoubtedly easier to maintain, both politically and fiscally, when revenues are high.

To compound this effect, investors often compare debt to GDP ratios as a means for testing fiscal viability of a state. Countries with high GDPs should, in general, have high future abilities to repay their debts, meaning they can borrow more cheaply today. Clearly, this isn't always a useful proxy - if poor environmental regulation or unsustainable labour conditions artificially increase GDP, investors should recognise that today's GDP isn't reflective of a long-run ability to pay off debts. Nevertheless, maintaining debt as a proportion of GDP is often a political necessity, and this is easier when the economy is growing.

GDP also obscures various factors important to standards of living. An obvious example is inflation, which typically correlates negatively to GDP in the short run. Generating excess inflation to increase short-run growth is an old trick for governments without an independent central bank and is bad for long-term economic prospects. A similar logic can be applied when thinking about equivalent fiscal measures, like Trump's 'sugar-rush' growth generated from corporation tax cuts in 2017, or supply-side efforts that are economically beneficial in the short-term but with severe long-term consequences, such as slashing environmental legislation. Public services are also an important factor – healthcare spending in the US is almost double that of the UK as a proportion of GDP, without a commensurate increase in health outcomes[6]. All of these healthcare services count towards GDP, but don't deliver better health outcomes.

Likewise, Foreign Direct Investment can cause a rift between Gross Domestic Product and Standards of Living. Take the case of Ireland. Foreign firms frequently base their operations in Ireland, due to their favourable tax arrangements, but this doesn't mean that all profits reported to Ireland actually generate value there. Ireland benefits from having large multinationals based there, but not as much as GDP would suggest. Large annual growth rates in Ireland, therefore, disguise relevant economic growth. There's a huge incentive for countries to attract multinationals to increase their GDP on an accounting basis, even if it confers very little in the way of additional tax revenue or economic value. If our politicians and media focus entirely on overall growth, this can incentivise attracting firms such as this, to juice the GDP figures without improving standards of living.

Inequality also plays a pivotal role in the relationship between standards of living and GDP. Firstly, a country of billionaires and food banks is, on a moral level, bankrupt. The poorest in our society need to be cared for, and their welfare should not be sacrificed in order to improve the lot of those more well off. Secondly, from a total welfare point of view, money has diminishing marginal utility. Growth that comes with increased inequality can actually see an overall decrease in standards of living, because each additional pound to a millionaire is less valuable to them than the pound that keeps a family out of poverty. Inequality causes a decrease in welfare overall, both for the poor and the rich[7]. Considering economic policy that doesn't consider inequality, therefore, ignores the welfare of a country's citizens. Furthermore, a clear link has been demonstrated between productivity and happiness[8]. As well as being intimately related to standards of living, happiness is also, therefore, crucial to long-run economic growth. Economic decisions, therefore, that impose misery in favour of growth are not just immoral, they're also short-termist.

It is not true, in general, to say that economic growth doesn't matter. Standards of living are very heavily correlated to output, with employment playing a large role in that. However, an obsession with top-line economic growth figures obscures both important quality of life factors for citizens and movement towards or away from long-term economic goals. Total national wealth should not be depreciated in the interests of increasing annual GDP. The economy of the future should not be sacrificed for gains today; the average citizen should not be made better off at the expense of the very poorest. The Labour Party should seek to make sustainable growth, which benefits everyone, a key part of their economic message. An unequal, unsustainable economy and an unjust, broken society is not a marker of economic success, no matter the growth rate. The economy is people's success, their jobs, and their lives - it is not Gross Domestic Product.

Matthew Oulton is an Undergraduate Economics student from Merseyside. A keen writer on Economics and more broadly, he also works part-time for a Sales Consultancy.

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IT'S TIME TO PUT HEALTHY LIFE EXPECTANCY AT THE CORE OF DEFINING PROGRESS

By Jack Parker

It's About Time

Time is the core resource through which everything else is sourced. We convert time into money through the process of work, convert time into oil, gas, diamonds and copper through drilling and mining, and convert time into happiness through spending it with family, friends or on personal hobbies. For every person that has ever lived, for every nation or empire that has grown and shrunk, time is the only resource that will always run out. It cannot be created, stored, bought, or swapped. Surely there is no better measure for the success of a society than the amount of time its citizens have free to enjoy their one and only lifetime.

On the metric of life expectancy, the United Kingdom has made tremendous progress since the industrial revolution. In 1841, the average female and male lived around 42 and 40 years respectively. The early 1900s saw a significant drop in childhood mortality, thanks in large part to immunisation, increasing life expectancy by 1951 to 71 and 66 for females and males[1]. During the 2010s life expectancy hit around 81 years, with the gap between females and males decreasing to just a couple of years[2].

On a global perspective, the United Kingdom's 81 average years of life expectancy is higher than the global average of 73 years, according to the World Bank[3]. There is a huge disparity between nations with the average citizen of the Central African Republic dying at just 53, while those in Hong Kong and San Marino experience 85 years of life on average – a gap of 32 years. That's 32 extra years supporting the growth of children and grandchildren, 32 years of enjoying the company of loved ones, and from a purely capitalist standpoint, an extra 32 years in which to leverage the lessons learned from life so far, further your education, grow businesses and otherwise contribute towards your local and national economy.

It's not surprising that there is a correlation between life expectancy and the GDP per capita of a nation. As defined by the World Bank, average life expectancy is 81 and 64 for the highest and lowest income nations, respectively. However, the correlation is not as strong as you might suspect, and there are plenty of anomalies.

The United States has the 9th highest GDP per capita, yet is surprisingly 62nd in the list of nations by life expectancy, falling behind countries such as Chile, Costa Rice and Greece[4]. Saudi Arabia's GDP per capita is marginally higher than Hong Kong's, yet their people are expected to live on average nine and a half years less. Likewise, the life expectancies for the people of Bangladesh and Lesotho are 71 and 51 respectively, a massive gap of 20 years, yet their GDP per capita's are almost the same. Clearly both metrics are too crude for detailed analysis.

Health Inequalities

Within any nation, life expectancy is only a mean average, covering the full range from childhood mortalities, to the lucky centenarians. The likelihood of an individual reaching the mean average is based on a wide range of factors, including where you are born.

Even within the UK, there is an astonishing link between where you are born, and life expectancy, with men born in Blackpool and Westminster living 74.5 years and 83.9 years respectively, an inequality gap of 10.5 years. Meanwhile women in Camden live to 87 years, on average[5].

Considering that in 2020, the retirement age is set to increase to 66, this means that a woman in Camden is likely to receive more than double the amount of state-funded retirement than a man born in Blackpool.

The success of a nation should therefore not just be determined by an average life expectancy, but by the inequality gap by region, wealth, and other factors.

Years Lost as a Metric for Failure

While the loss of anybody will be a tragedy for their family and friends, it's natural for us to mourn the loss of a young person more than someone that is already elderly. We consider the years of life lost, the gap between their age of death and the time we expected them to have on Earth. We can consider avoidable years lost as a failure of our society, and the reduction of this metric as a sign of progress to be aimed for.

For example, in the UK, the most common cause of death between 5 and 34 is suicide[6]. This remains the most common form of death of men until age 49. In 2018, 6,507 individuals committed suicide[7]. Given that the average age of suicide is 31.3 years lower than the mean life expectancy[8], we can calculate that the UK is losing over 200,000 years' worth of life every year due to suicide. A successful society should consider the total number of years lost, not just the number of deaths, when considering the impact of causes of death, and the allocation of resources to solving them.

Staying Healthy

As nations develop ever more impressive technologies and medical advances, it's important that we consider not just life expectancy, but the quality of those years. A year of full health, in which an individual is unrestricted in their ability to engage with the world around them, surely has more value than a year in which an elderly dementia patient is restricted to a care home. A nation should not be able to boost their life expectancy statistics simply by keeping more people hooked up to life support machines for longer.

The UK currently measures 'healthy life expectancy', which on average is 63.6 years for women and 63.1 years for men. 'Disability free life expectancy' is estimated to be 61.6 years and 62.6 years for women and men respectively[7].

Concerningly, as life expectancy is increasing more quickly than healthy life expectancy, the trend is that Britons are spending a smaller percentage of their life in good health.

There are also major regional inequalities in these metrics. The gap in healthy life expectancy between local areas of the UK was as much as 19.1 years for women and 18.6 years for men. On average, being wealthy adds nine years to healthy life expectancy[9].

Defining Progress: The Utopia or Dystopia of Curing Aging

Whether the UK as a nation decides to adopt life and healthy life expectancy as critical metrics to track progress, it is guaranteed that the richest men, women and companies on the planet are already one step ahead. Technology billionaires such as Jeff Bezos and Peter Thiel have invested in anti-aging start-ups, and other big names such as Google are entering the space[10]. In 2018, almost $800m was invested in clinical trials aimed at increasing human lifespan. This is eight times higher than the $100m invested in 2014, and the exponential trend upwards is likely to continue[11], with even international conferences drawing researchers to share their findings[12].

The vision or hope of some is that the constant improvement in medical science will extend the maximum possible human lifespan just in time to keep them alive indefinitely. Imagine that today you are a 50-year-old billionaire, expecting to die in around 30 years at the age of 80. But in 30 years, medical science could perhaps slow down the aging process, provide you with organ replacements grown in a lab, and keep you medicated to extend your life by another 20 years, or until you're 100. But in that additional 20 years, medical science accelerates even further, and new technologies add yet another 20 years to your lifespan. This cycle continues, until medical science is so advanced that it's possible to reverse the aging process. Human society in the year 2150 could perhaps consist of a handful of billionaires' who are technically 150 years old, but have the bodies of 50-year olds, while the rest of us continue to depart Earth at the current age of 80 or so..

Conclusion

If we are to define progress through health, there are some critical metrics that are already measured regularly and can give us a high-level overview of the progress we are making as a society. They are average life expectancy, healthy life expectancy and the inequality gap in these numbers across regions, wealth and other demographics. These values are trackable over time, comparable to other nations and achievable targets can be set against them.

Imagine a future government elected on a pledge to increase healthy life expectancy, with investment focused on solving the biggest causes of years lost, targeted to the specific needs to each region and age group.

A focus on improving these health metrics will inevitably filter through to all aspects of policy, from education on diet in schools, to investment in sports facilities, to reducing air pollution, provision of mental health services, traffic safety and everything in between. As healthy citizens are also more productive and economically active, these investments would return benefits to the state and everybody in it many times over. A government that is successful in giving everybody more time to spend with their family and friends, and to pursue their passions in their only lifetime is surely one that would be easily re-elected.

To be successful in improving these health metrics, society would be forced to solve the environmental and economic crises that we are facing, while providing us all with more of the most important resources on Earth: it's all about time.

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Jack is Chair of the Young Fabian Environment Network, and an active campaigner in the Labour Party. He is also Managing Director of Construction at Hanson Wade, hosting international conferences that seek to improve the productivity, sustainability and safety of the construction sector.

MEASURING AND GROWING BRITAIN'S NATURAL WEALTH

By Andrea Grainger

Since the 1970s humanity has been consuming more natural resources than the earth can sustain. Today the global footprint network estimates that humanity consumes resources as if we had 1.7 earths. This consumption is primarily done in richer countries; the footprint network predicts that the UK population consumes around 4x more natural resources than the UK itself can produce.[1]

The result of this overconsumption is that we are changing the earth's system into a less stable state and consuming the earths and the UK's stocks of natural capital. The best-known consequence of this is climate change, but the problem we face is much broader.

Professor Rockstrom from the Stockholm Resilience Centre produced the now popular 'Planetary Boundaries Framework' to map out the nine biggest environmental limits of the earth. The limits are climate change, freshwater use, nitrogen and phosphorus flows, land system change, ozone depletion, ocean acidification, biodiversity loss, aerosol loading, and chemical pollution. Of these, humanity has bypassed the earth's limits for nitrogen and phosphorus flows, and biodiversity loss, and is taking dangerous risks with land system change and climate change.

Dealing with all these issues requires a comprehensive and holistic policy. In 2011 the conservative government made a show of taking these issues seriously. They announced their commitment "to be the first generation to leave the environment in a better state than it inherited", released a policy white paper 'The Natural Choice', and formed an advisory Natural Capital Committee (NCC) to research and investigate how to make this happen. This committee later fed into the Conservative Party '25-Year Environmental Plan' (25 YEP).[1 2]

In 2020 the Natural Capital Committee released their annual report, and summed up what the conservatives have done so far;

"The absence of progress since 2011 is more notable than the successes. Broadly the natural environment is deteriorating.... There is a very real danger that the 2011 White Paper and the 25 YEP go the way of so many bold initiatives that have punctuated the decline of England's natural environment over the previous generations. To allow this to happen would not only undermine confidence in environmental policy generally but condemn the next generation to a poorer economy and environment."[3]

Like many other policy areas, the conservatives seem to be stymied by their obsession with limiting government intervention, their vulnerability to corporate lobbyists, and their inability to think long-term. Polling of voters taken around the last election time suggests they are also wildly out of alignment with the nation. At the last election more people said that the environment was their top priority than the economy.[4]

Of course reversing the trend of western nations and starting to improve rather than destroy our natural environment is a huge task, requiring changes at all levels of government decision making, and big changes in local planning and government infrastructure projects. But it is something that for many voters may be more important than GDP growth, and a clearer sign of government competence.

One important first step, before a government can really commit to improving Britain's natural capital is to actually know what natural capital we have. In 2019 the Conservative government wrote their first report documenting their progress towards achieving the environmental goals laid out in their 25-year plan. As the Natural Capital Committee put it;

'The first report...contained a long list of actions, but very little evidence of improvements. This failure is due in large part to the lack of a natural capital assets baseline against which to measure progress.'

The Natural Capital Committee describes this lack of a baseline as a serious deficiency in British environmental policy making. Without a baseline the government can't really tell whether it is making progress and identify where changes need to be made. To address this problem the NCC has been urging for many years that the government conducts a comprehensive England-wide census of the stock of natural capital assets. This census needs to draw together existing monitoring programs and establish common practices that allow the datasets to be synchronised, and it needs to identify all the data gaps and fill them in.[5]

One opportunity provided by a census like this is the opportunity for mass citizens engagement. A well organised census could become an exemplar for citizens science and citizens engagement with the environment, involving potentially millions of people in the UK. Citizens working on the ground offer a means to increase confidence in, and possibly add granularity to, data collected over a wider scale or using imprecise assessment tools. For example, citizens could be asked to verify satellite identified habitats, or could use sensors to monitor local air quality to supplement national database datasets. As an aspiration the nationwide census should aim to include every school in England, as many landowners as possible, and every national park.

The NCC proposes a separate exercise conducted alongside this census to calculate and assign value to the goods and services provided by natural capital assets. This kind of natural capital valuation provides two useful things;

Firstly, assigning a value to nature could serve as a way to bring together all of the complex facets of Britain's natural environment into a single metric. If it were updated regularly then this measure of natural value could be published in the same fashion as GDP growth measures and serve as a complimentary metric to demonstrate the success or failure of the government.

Secondly, calculating the economic benefits of different kinds of natural capital could help guide government investment in natural capital. Local and national governments may wish to prioritise investments in nature which offer the greatest tangible benefits for their citizens, and valuation can help them to understand and compare these benefits.[6]

Taking natural capital seriously will require a step change in how the government approaches infrastructure projects. Public infrastructure projects would be required not simply to reduce their environmental impact, or to have a neutral impact, but instead they must have a net positive impact on the nation's natural capital. Any infrastructure project that achieves economic growth, but damages natural capital would be deemed unacceptable.

Infrastructure projects would be assessed by the government on the basis of cost, GDP gains, and natural capital gains. Existing infrastructure proposals like high-speed rail 2 would need to be reassessed after the cost of ensuring net natural capital gains is taken into account. If these costs prove prohibitively high, then the plans should be shelved.

At a local level, councils will need financial support to incorporate natural capital assessment into local planning proposals, and to finance their own natural capital investment programs. Natural valuation can feed into this process, but at a local level there is also space for local people to assert what kind of natural capital they want in their area.

For businesses, the first step to taking natural capital seriously is producing natural capital accounts, to record what effect they have on natural capital, and what natural capital their business relies on. The Natural Capital Committee has produced a framework for corporate natural capital accounts. A Labour government should work with them to develop this framework and make it a legal requirement for all British businesses to publish natural capital accounts alongside their other annual accounts.[7]

Forcing businesses to measure and account for natural capital will provide three distinct benefits. First businesses will be able to see whether they are being sustainable with their use of natural capital. They will be able to invest in their own resource base to ensure they maintain long-term profits for them-

selves. Secondly customers will be able to see these accounts and make purchasing decisions based on a more accurate understanding of businesses impacts. Some aspects of these accounts could feed into information presented on packaging for customers to digest easily. Thirdly the government could use these corporate accounts to assess which businesses and sectors in their economy are having the worst impacts on the environment. They can then adjust environmental incentives and taxes to ensure business have a net positive impact on natural capital.

All of these steps will allow Britain to begin rebuilding our natural capital and help us be the first generation to leave the environment in a better condition than we left it. Our progress towards these goals can be measured and published for our citizens to demonstrate the success of the Labour administration, in a simple metric that many people consider to be more important than GDP growth.

One last factor we need to bear in mind is our impact on the natural capital of other nations. Since the 1980s there has been a big uptick in ‘environmental outsourcing’; where British companies produce goods abroad and ship them to the UK for consumption. Recent reports suggest this accounts for 30% of our nation's environmental impact.

We can ask corporations to include this in their natural capital accounts, and we can design regulations to try to address it, but unless other countries do their own natural capital censuses it will be difficult to properly understand our impact. Therefore, to really understand our own impact, we need to become a pioneer in promoting the natural capital approach worldwide, providing expertise and finance for developing nations.

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Andrea Grainger is a researcher working with Labour for a Green New Deal, Labours Environmental Campaign, and the Fabians Environmental network to develop a policy platform to respond to the issue of Environmental Limits to Growth.

She lives with her fiancee in Brighton, and is a fan of strategy board games.

SHOULD THE UK INTRODUCE A FOUR-DAY WORKING WEEK?

By Hannah Fuchs

The idea of a four-day working week, meaning people work four days a week without a pay- or benefit cut, is gaining momentum again. In July 2020, Members of Parliament (MPs) and campaigners sent a letter to Chancellor Rishi Sunak proposing a four-day working week for the UK, inspired by New Zealand Prime Minister Jacinda Ardern, who suggested employers in her country could consider a four-day working week to boost the tourism industry in response to the Covid-19 pandemic.[1] Already during the last general elections in December 2019, the Labour Party included a four-day working week in their electoral manifesto.[2] Since 2010, when David Cameron succeeded Gordon Brown as Prime Minister, the UK's GDP per hour worked (measuring labour productivity) has been lower than the OECD average and over the last decade, this gap has only widened.[3] It is time to recognize that British labour productivity needs rejuvenation in order to successfully overcome major economic and societal disruptions, such as Covid-19, leaving the European Union, and the rapid pace of digitalization transforming the global economy. One answer to these dilemmas is to introduce a four-day work week.

Throughout the past several years, case studies in different countries have shown that a four-day working week does not reduce productivity, but rather increases it while companies save money at the same time. It is important that both industry and policymakers recognize that high productivity is not the same as working long hours. Most recently, Microsoft Japan announced positive results on a trial it was running in early 2019.

In March 2018, the New Zealand trust management company Perpetual Guardian started a four-day working week trial for eight weeks. The company reduced the hours of its employees from 37.5 to 30 hours per week while it made no changes in their salary. The results of the trial show ostensible positive results with employees' job performance being completely maintained. Further findings show, for example, that staff stress levels lowered from 45 percent to 38 percent. Supervisors were asked about different productivity aspects of other employees, such as attendance, behaviour that is not expected from employees but is seen as positive, service performance, and creation and innovation. In all categories, employees scored significantly higher after the trial than before, saying that they spent their time with families, friends, re-discovered hobbies, and overall, lived a more satisfying life, which was reflected in their attitude and performance at work.[4]

Another example is the Swedish retirement home Svartedalen, which demonstrates that even in sectors where a strict four-day working week is not possible, working reduced hours while improving productivity certainly is. For 23 months, all nurses worked six-hours shifts: 30 hours, five days per week, with no reduction in pay. In order to compensate for the reduced hours, 15 extra staff members were hired. Nursing homes are particularly short on staff while their work requires crucial attention and time in order to adequately care for their residents. The trial conductors concluded that the changes improved the nurses' health, but also increased their quality of services. For example, the perceived level of energy left when nurses came home improved by 143 percent, their stress levels improved by 105 percent, and 4.7 percent fewer sick days were taken. At the same time, nurses reported to have done "more activities with the residents, such as walking outside, singing or dancing".[5]

Both examples illustrate that working less hours per week can have a positive impact on employees' health. Especially amidst the Covid-19 pandemic, people's health should be a priority for businesses and the government as it is the cornerstone of a functioning society. Statistics provided by the Health and Safety Executive, a government agency regulating work-related health and safety measures, state that in 2017-2018, 15.4 million working days were lost due to work-related anxiety, depression, and stress.[6] The same days could be used to reduce stress by pursuing hobbies, spending time with friends and family, volunteering, or simply managing life. That will prevent stress and anxiety and as shown in the case studies, fewer sick days could be claimed.

At the same time, employees will be more energetic and focused at work because they have more time to recharge. All these factors feed into being more productive at work long term. Andrew Barnes, owner of Perpetual Guardian said, “You’re not just getting the same productivity, you’re getting higher productivity.”[7] A Deloitte study conducted in 2017 suggests that poor mental health conditions cost UK employers £33-42 billion each year, counting absence (£8 billion), presenteeism (£17-26 billion), and turnover costs (£8 billion).[8] While it might seem more obvious that employees would advocate for a four-day working week, research conducted by Raconteur has shown that UK employers who have tried a four-day week have come to similar conclusions. 78 percent said that their employees are happier and 64 percent stated they get more work done because they are more productive; 63 percent say their employees produced better quality work than they did when they were working a longer week.[9] Besides employees’ health benefits, there are clear economic incentives from an employer perspective as well.

A four-day work week can also contribute to more gender equality. At the moment, women perform 60 percent more unpaid work than men[10] and 41 percent of women in employment work part-time, compared to 13 percent of men.[11] If there was generally more time outside of work, no parent would have to make compromises on their career. The 40-hour work week is based on the premise that one parent is staying at home to manage the household and care for children and other relatives. Our societal values have moved away from this idea though: women should have the same opportunities as men without the need to work less hours and hence get a pay cut and difficulties pursuing a career. As our population is aging and parenting has become more challenging, bringing children to music lessons, sports, or tutoring, increasingly more unpaid work will be needed. A four-day working week enables parents to better split their time to complete unpaid work and so allow women to focus more on their careers.

Amid multiple economic disruptions such as Covid-19 and Brexit, a four-day working week can help mobilize the economy and make it more resistant as well as adaptive to future developments. It urges companies to hire more people to compensate for the fewer hours worked by current staff and creates more jobs. While companies might experience a decrease in profits at first due to increased investments in labour, this will pay off in the long run as research shows that staff is more productive and innovative when working four days a week. Hiring more people implies an increase in jobs created and alleviates unemployment, whereby the state saves paying unemployment benefits and collects more taxes. People would have the capacity to pursue further education, inform themselves about current affairs, and therefore are better equipped to contribute to a living democracy.

With a four-day working week, we would experience a systematic redistribution of income. Companies would give up a stake of their profit to pay workers higher hourly wages and invest in human capital, giving workers a fairer share of the economic output. As outlined above, companies would still profit from the four-day working week concept with employees being more productive. As economist and Nobel laureate Joseph Stiglitz stated in a 2018 interview with The Guardian: “By changing the rules, we could wind up with a richer society, with the fruits more equally divided, and quite possibly where people have a shorter working week. We’ve gone from a 60-hour working week to a 45-hour week and we could go to 30 or 25.”[12]

For a large part of society, the fourth industrial revolution, and the

automated technologies driving it, brings the fear of job losses. Andy Haldane, Chief Economist at the Bank of England, warned that artificial intelligence (AI) and other technological developments will automate more jobs and likely force more people into unemployment.[13] However, the revolution isn't bad per se. The main issue policymakers, economists, businesses, and society at large need to face is that of switching from one job to another, learning new skills and adapting to new situations. To engage with new subjects takes time and energy, which people with 40-hour work weeks, children, relatives to care for, and maybe a hobby, often don't have. A four-day work week would allow people to gain new skills and help them prepare for potential career changes. In order to accommodate an equal opportunity for everyone to upskill, the government needs to ensure that courses are created for people of all kinds of backgrounds. A single mother should have the same opportunity to learn coding as a 25-year-old college graduate.

Different research reports, published, for example, by the OECD, PwC, and the Institute for Public Policy Research suggest that one of the reasons for the UK's low productivity rate is its lack of investment in automated technologies. A 2017 study from PwC found that investment in artificial intelligence technology could generate a 10.3 percent increase in UK national GDP by 2030.[14] British companies tend to prefer using low wage labour, often workers from the EU, rather than investing in technologies that could perform the same job.[15] While one counter argument could be made here that a technology shift would lead to job losses, we have to look at the problem from a different perspective. The fourth industrial revolution needs to happen together with workers, not against them. Automated technologies and robots generate an increasing profit for companies, but they don't receive salaries. Employees who would otherwise lose their position due to automation could continue to work four days a week, receive their salary stemming from the accrued profit generated by automated processes while receiving training to upskill and hence remain relevant to the company and industry overall.

Policymakers should focus on the following areas to allow for a successful transition to more automated processes and a four-day working week. It needs to be ensured that people' jobs are guaranteed despite future adoption of automated technologies. Workers need to receive the opportunity to upskill, so they remain relevant to the industry and work together with automated technologies rather than compete with them. The government also needs to implement incentives for companies to invest in both: workers and the adoption of automation technologies to encourage a more digital economy and a time-rich society. That way, the UK can increase its productivity, counter potential job losses, and prepare its workers for the fourth industrial revolution. The UK cannot simply look away from a digital economy anymore.

Besides a few curious companies trailing four-day working weeks and interviews, the model is still rare. The government should encourage and engage consultants and academics to conduct qualitative and quantitative research and introduce measures of success so that other companies can transition smoothly to a four-day work week with minimal disruption. Because it is still a rather new concept, it is important that policymakers offer a platform to share best practices and respond to companies' and employees' feedback who have gone through a trial before. For example, all-party parliamentary groups, consisting of MPs with knowledge in that area, as well as interested organisations, can present such a platform. A select committee on alternative working models can check and scrutinize the work of the Department for Work and Pensions to ensure that employees' interests are represented accurately.

In conclusion, the four-day working week is a concept that holds plenty of opportunities that need to be explored and analysed. Those companies that provide case studies have reported predominantly positive feedback and understand the transition as work in progress. As this is a rather uncharted working model, it is crucial that all stakeholders involved have a voice to shape it. The government's role is to encourage companies and organisations to spearhead the idea, making the transition as smooth as possible while ensuring that nobody is left behind. It is an opportunity to redefine how we work and the way our society wants to live.

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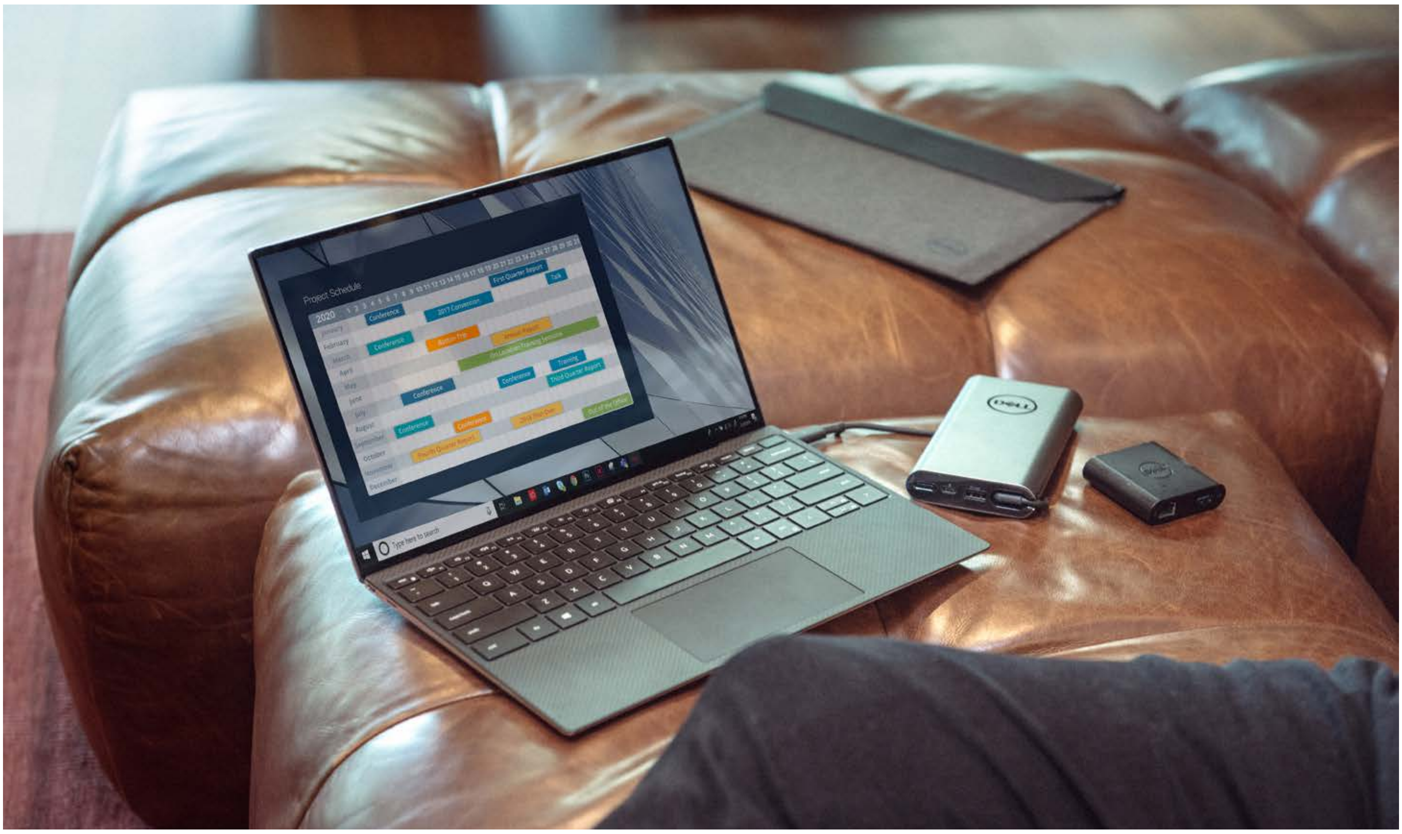
Hannah Fuchs holds an MSc in EU Politics from the London School of Economics. She has written for several leading publications, including Policy Network, Euractiv, and Cicero. Currently, she is working as the communications officer at the tech and children's charity Lifelites.

GDP AS A MEASURE OF EFFICIENCY

By Guilherme Rodrigues



Instead of dropping GDP, we should use it as a compass instead of being our destination.

Economics is commonly defined as "the study of how a society manages its scarce resources" and the efficient use of those scarce resources is the main goal of this social science. However, economists and policy makers usually look at GDP per capita, which basically means how much a country produces per person, as the main measure to evaluate the strength of an economy and welfare of its population. Does it really make sense that the science of managing scarce resources measures success by absolute level of production?

The criticism of GDP started with its own creator, Simon Kuznets, who did not construct such an indicator to measure society's welfare. That said, this indicator has been used for that purpose for almost a century, as it was widely believed that the economic capacity of a country is highly linked with its overall welfare. In the last decades, two major issues have been challenging that view: the climate impacts of production and whether the economy is working for all (transmission mechanism). First, as we live a period of climate emergency, any serious analysis of welfare cannot be CO_2 (or any other climate-related variable) agnostic; otherwise we end-up identifying overuse of resources as progress instead of an actual threat to world's sustainability. Second, as the IPPR (progressive think tank) reported, the relationship between GDP per individual in the United Kingdom and its average earnings have been weakening since the mid-80s and totally collapsed after the great recession. Today, in the United Kingdom, GDP growth is unlikely to reflect an increase in workers' earnings and material gains.

As a consequence of these challenges, indicators such as Human Development or National Happiness have been proposed. These methods, as one would expect, are related with economic performance, however, it also misses some important components of societies' welfare like security, environment and democratic values.

Considering that economists' goal is to measure resource efficiency, which in other words means avoiding waste, they should be praising societies (at least when comparing developed countries) which are able to present good levels of welfare with the lowest level of production possible. Instead of dropping GDP, we should use it as a compass instead of being our destination.

Empirical Analysis of Efficiency

As a proxy for welfare, the Prosperity Index (Legatum Institute, a conservative think tank) will be used: an indicator that contemplates more than 100 variables from several areas such as health, education, wealth, environment, safety, democracy and others. According to its 2018's results, Slovenia presents a prosperity level slightly lower than the United States and the same happens when comparing Portugal to Japan. However, the real production levels per inhabitant are very different: The United States produced (adjusted to prices) 1.7 times more per person than Slovenia and Japan 1.4 times more than Portugal. Surprisingly, Slovenia and Portugal economies seem to be more efficient than two of the most advanced ones when considering mainstream standards.

In a period where societies' finally start discussing the possibility of reaching climate catastrophe soon, policy makers should be looking for efficiency from an environmental perspective, by doing so the scenario is even starker. According to the World Bank, in 2014, the United States produced 16.5 metric tons per capita of CO_2 which is 2.7 times more than Slovenia. While Japan's emissions are more than two times the Portuguese ones. In a hypothetical scenario, in which the US had emitted the same amount of CO_2 per person as Slovenia, the world's emissions would have dropped 9% in 2014.

While analysing the relationship between GDP and welfare (chart 1), we can draw some conclusions about which economic models seem to be working for the many. On one side, the economies based on free market capitalism and tax havens such as Ireland, Luxembourg and Switzerland do not deliver higher levels of welfare when compared with its peers. This economic system, which is seen as the post-Brexit model for several conservatives, may raise GDP due to financial engineering (e.g. accounting multinational profits as domestic GDP) without bringing benefits for the society. On the other side, countries that follow a social democratic model (New Zealand, Sweden and Finland) are the most efficient economies across the richest countries. Societies that share its resources more fairly and de-commodify human rights such as health care and education are able to present relatively good standards of living without needing massive production levels.

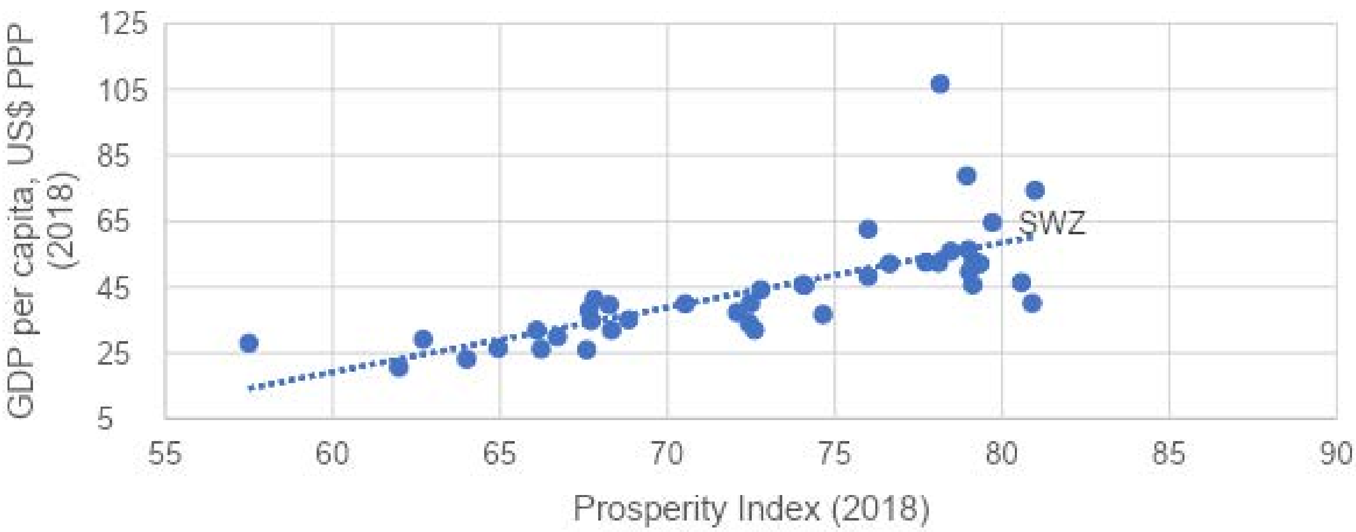


Chart 1: Welfare vs. GDP. A country with higher levels of welfare is expected to have a higher average income per person. Countries placed above the dotted line are considered inefficient: producing too much for its current level of welfare. The UK looks relatively efficient, partly explained by the pound depreciation after the Brexit vote.

Deepening Economic Efficiency

A future Labour government must expand its economic toolkit beyond taxing higher earnings and redistributing it by social programmes. Deepening the current European social democratic model will strengthen communities and make the British economy more efficient.

Government's spending and public procurement should be in line with the "Preston Model": increasing the economic efficiency of government expenditures by considering the economic benefits to local communities of such spending, beyond its provision costs. A similar approach should be taken within pensions funds, legislation should facilitate workers to choose pension schemes which will tackle national and regional challenges (e.g. housing investment, renewable energy, etc) instead of solely investing in major national and foreign stocks based on gross returns; such restructuring of pension schemes would increase British welfare using the existing funds from its workers.

How to Complement GDP

The conclusion we should take from the previous analysis is that decent levels of welfare are possible to reach by public policies and not necessarily by picking an economic model that simply tries to attain infinite growth per se.

Although production (GDP) will always be fundamental to manage public finances/debt because it directly impacts public policy, some governments (e.g. Canada, New Zealand, etc) have started implementing new approaches to assess this issue. A future Labour government, especially in the context of climate emergency, should propose and discuss new ways of measuring progress and implement policies to make the economy more efficient, fairer, and not necessarily bigger.

Note: *Please do not consider this publication as an endorsement of the Prosperity Index as the best welfare measure available. The variety of the index, including more than 100 variables, is the main reason behind the choice.*

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Socialist, Economist and Portuguese | Currently economist at ADA Economics with previous research experience in Portugal, Mozambique and Angola | His views: medium.com/zinc-tank, shifter.sapo.pt and @zerohoursworker

COMPARING POPULAR ALTERNATIVES TO GDP

By Chris Wongsosaputro

There has been a paradigm shift driven by individual nations and world organisations away from defining progress using Gross Domestic Product (GDP) in favour of other metrics. In particular, the World Economic Forum has highlighted that GDP falls short because it measures cash transactions which excludes volunteering and housework amongst others. Moreover, GDP does not account for improvement in quality of goods or service due to its focus on quantity rather than quality. Furthermore, GDP also does not consider the distribution of wealth given that it assesses the cumulative total of national wealth.[1] Hence, there is a shift away from GDP to ensure that policies relating to economic developments are not only aimed towards boosting GDP, especially in light of the aforementioned limitations.

With these factors in mind, international organisations and individual countries have re-defined progress using some alternative metrics described below:

- World Happiness Report (WHR) by the Sustainable Development Solutions Network: The country ranking within the report is based on a three-year rolling average of Gallup survey responses on the factors GDP per capita, social support, healthy life expectancy, freedom to make life choices, generosity and perceptions of corruption.[2]
- Human Development Index (HDI) by the United Nations Development Programme: The HDI measures countries on a scale of 0 to 1 based on how the country's life expectancy, education level and Gross National Income per capita compares to others. Thereafter, HDI is calculated by averaging the 3 scores.[3]
- Genuine Progress Indicator (GPI): The GPI measures consumption, environmental and social factors for each country, deducting scores for trends such as wealth disparity, crime and environmental degradation before adding scores for trends including infrastructure investment, housework and volunteering. Similar to GDP, GPI is conveyed in the form of monetary figure.3 The relationship between GDP and GPI can be likened to that of gross profit (GDP) and net profit (GPI) as the latter is calculated by deducting environment and social costs from the former.[4]
- Gross National Happiness Index (GNH) by the King of Bhutan: The GNH was initiated by the King of Bhutan Jigme Singye Wangchuck in 1972 based on Buddhism and mindfulness principles. GNH takes into consideration nine factors, namely living standards, health, good governance, ecological diversity, resilience, time use, psychological wellbeing, cultural diversity and resilience and community vitality. Data is obtained via interviews of 8,000 random households.[5]
- Happy Planet Index (HPI) by The New Economics Foundation: The HPI is obtained by multiplying the wellbeing

index, life expectancy and inequality of outcomes before dividing the index by ecological footprint. The wellbeing index is gathered from a Gallup World Poll survey of residents in each country while life expectancy is based on United Nations data. Meanwhile, inequality of outcomes, expressed in percentages, is based on the spread of the wellbeing index and life expectancy in each country. As for ecological footprint, the data is obtained from the Global Footprint Network who measures (in global hectares per person) the average impact of each country's resident on the environment.[6]

- Green GDP by the Chinese Government: Green GDP adjusts the traditional GDP by embedding the estimated monetary values of depletion of natural resources and environmental degradation such as carbon emission and climate change into traditional GDP calculations.[7]
- Gross Environmental Sustainable Development Index (GESDI): GESDI assesses the quality of national growth and development for each country using more than 200 metrics belonging to four categories, namely people, availability of resources, environment and economic development. GESDI focuses more on the environment than most other metrics.[3]

Analysing the pros and cons of each metric above, we note that the advantage of the WHR is that it is a global, well-established annual benchmark originally started as a foundational publication for the United Nations (UN) High-Level Meeting on Wellbeing and Happiness to define a new economic paradigm in 2012.[8] Moreover, the report also explores the underlying reasons for happiness and unhappiness as well as their policy effects, thereby providing policymakers with ideas on how to enhance happiness.[9] Conversely, the con of the WHR is that it focuses too much on income metrics instead of perception of happiness.[10] Moreover, there is a philosophical argument that happiness is an individual rather than a group matter so it is inaccurate to discuss happiness on a country level.[11]

Similar to the WHR, the HDI is a global metric shaped by the UN so there is a greater potential for the metric to shape the decision-making at country level. Moreover, the HDI's education statistics also offers an insight into future opportunities for the country while also providing a comparison between the expected and actual level of education on a country level. However, the exclusion of important metrics such as the environment and income disparity make HDI incomplete.[4]

In regard to the GPI, its advantage is that it accounts for the environmental and social metrics alongside economic ones which will provide a more thorough picture of the nation's welfare, unlike GDP which can be boosted by environmental degradation and natural disasters. However, GPI has not been used globally so more usage is needed to assess its effectiveness.[5]

As for GNH, the main advantage is that it is a thorough assessment on the state of happiness as the survey encompasses 148 main questions with more sub-questions ranging from number of TVs at home to the impact of wildlife on people's lives. Conversely, completing the GNH survey is a lengthy and costly process averaging 3 hours per survey due to the number of questions. Furthermore, GNH also emphasises more on spirituality than other metrics with the presence of questions such as the frequency of meditation and prayers so the spiritual aspect might not be applicable for all countries. Given that the GNH was developed and customised to Bhutan, there is thus no comparable metric to be used to benchmark with other countries.[5]

In the case of HPI, its advantage stems from the fact that it is easy to use, flexible and comparable across different countries. Moreover, the inclusion of carbon footprint means considering the impact of the country's development on the general health, happiness, and ecological footprint. However, HPI only covers four factors so the scope of analysis is narrower than other metrics including the GNH. HPI also measures the Earth's ability to support our welfare instead of personal happiness.[5]

The main advantage of the Green GDP is its monetisation of the environmental costs such as climate change so that economic decisions can be made in terms of actual monetary value. Conversely, there are some aspects of Green GDP which are more difficult and controversial to measure such as biodiversity than others such as carbon emissions. In addition, the Chinese government is the main user of Green GDP for now so there is not enough assessment for the wider usability of Green GDP metric.[5] Economists Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi have also suggested that deducting resource depletion or environmental degradation from traditional GDP is only one aspect of environmental sustainability.[12] As such, there is a need to consider environmental sustainability more thoroughly.

Meanwhile, GESDI's advantage relates to the fact that it assesses the quality of growth and development thoroughly based on more than 200 questions split into the four quadrants of people, availability of resources, environment, and economic development. Moreover, GESDI also considers and assigns scoring based on the urgency, geographical extent, and the persistence of the situations at hand.[13] The latter feature is beneficial in understanding the severity of the situations. However, having more than 200 questions within the metric makes its completion a lengthy process and potentially accentuates the impacts of any bias.

Turning to the alternative well-being indicators implemented on a country level, Ecuador embedded the concept of Buen Vivir (the Good Life) into their Constitution in 2008. Buen Vivir revolves around the principle of valuing the well-being of not only human but also nature for its underlying worth. Buen Vivir can be perceived as a way to achieve internal harmony, harmony within and between societies and harmony with Nature as a subject, not only for resources. Ultimately, a metric spanning seven dimensions and 35 objective and subjective indicators were devised in 2015 by the Ecuadorian National Institute for Statistics (INEC) alongside the Ministry of Planning (SENPLADES) to facilitate policy design. The seven metrics here are Habitat and Housing, Water and Sanitation, Health, Jobs and Security, Education, Relations amongst Communities and Subjective Well-Being as well as Environmental Practices. Vital steps such as including these metrics on the national household survey have been implemented from 2016 onwards.[14]

Buen Vivir had also been implemented into policies in neighbouring Bolivia in the form of the Biocultura programme. Biocultura is centred around the assumption that sustainable development involves making full use of the cultural and biodiversity wealth in the Andes. The programme also aims to balance the Western approach of development, progress and growth with the Amerindian concepts of balance, respect and benevolence. Biocultura has resulted in more than 11,000 households boosting their income by an average of 17% and enhancing their diets via 10% more calories.

Overall, Biocultura can be sub-divided into four main categories, namely Local Governance, Productive Development, Ecosystem Management and Management of Cultural Diversity. Local Governance encourages the development of local leaders and participation from local communities in creating their own strategic plans. Funding is then allocated depending on the strategic plan. Meanwhile, the Productive Development aspect aims to increase household incomes by supporting the production of medicinal plants by local farmers and educating them on organic farming methods. This aspect is also achieved via developing road network to open up new markets for local products. Ecosystem Management is aimed at protecting resources, water management, reforestation, soil conservation and repopulation of native grasslands. In the case of Cultural Diversity, it is intended to increase the value of knowledge, technology and cultural expression about nature and other productive activities. Some schools have included the local and cultural knowledge into their curriculum and pedagogy of various disciplines.[15]

Meanwhile, France has also launched Les Nouveaux Indicateurs de Richesse (New Wealth Indicators) after the regulation necessitating the Government to present an annual report on the New Wealth Indicators was ratified in Parliament in April 2015. The law was first proposed by Eva Sas (Green Party Senator) in October 2014. The indicators finalised in June 2016 consists of ten themes and 15 associated indicators. The ten themes are Employment, Investment, Financial Stability, Health, Quality of Life, Inequalities, Education, Climate, Biodiversity and Natural Resource. The presence of the New Wealth Indicators has resulted in the publications of annual reports every October by the Prime Minister's Office and consideration of how initiatives implemented in the prior, current, and following years will impact the indicators. Moreover, the report also discusses how the indicators have changed over the last decade and measures France's position against the European average.[14]

Italy also has a similar programme called the Equitable and Sustainable Well-Being (Benessere Equo e Sostenibile or BES) which is officially included in the Budget Reform's Law. The law provides for a report to assess the evolution of certain well-being metrics over the past and upcoming three years and the expected effect of the Government's economic policy. The report is to be debated annually in Parliament by 15 February. The BES framework includes 130 metrics to assess well-being, equality and sustainability over 12 domains, namely Health, Education and Training, Work-Life Balance, Economic Well-Being, Social Relationships, Politics and Institutions, Security, Subjective Well-Being, Landscape and Cultural Heritage, Environment, Research and Innovation as well as Quality of Services.[14]

Another example is New Zealand with their Living Standards Framework (LSF) which is aimed at assisting the Treasury in offering Ministers strong, objective advice to enhance the lives of New Zealanders. The LSF is based on a model of societal stocks and flows, for which there are four main capital stocks and ten societal flows with the stocks impacting the existing societal flows and flows impacting subsequent stocks and living standards. The four inter-related capital stocks are Financial and Physical, Human, Social and Natural Capitals. The twn flows are Income, Consumption, In-Kind Services, Employment, Leisure, Innovation, Freedom, Security, Environmental Services and Amenities. A 2015 review had indicated that the LSF had acted as a reminder of the well-being dimensions to be considered by the Treasury in devising policy advice. The LSF had also guided policy design based on a common vision of how New Zealanders want to live as well as numerical evaluation of the pay-offs between various policies.[14]

The last metric to be discussed here is nya mått på välstånd (the New Measures of Well-Being or NMW) in Sweden with the framework being incorporated into the budget law recently. The NMW emphasises on the quality of life, citizens' welfare as well as long-run sustainability of economic growth with the available resources. The NMW can be grouped into three main aspects, Economic, Environmental and Social with each being associated with five further indicators. The Economic aspect is associated with indicators GDP per Capita, Employment/Unemployment Rates and Household/Public Debts. Meanwhile, the Environment aspect can be further sub-divided into Air/Water Quality, Protected Nature, Chemical Pollution and Greenhouse Gas Emissions. As for Social aspect, it can be sub-divided into Low-level Living Standard, Self-Assessed Health Status, Education Level, Interpersonal Trust and Life Satisfaction. The Swedish Government has indicated their aim to use the NMW to assess socioeconomic development, offer input for policy development and analyse the impacts of government policies.[14]

Turning our focus to the UK, we would suggest measures by the individual organisations such as WHR and HDI to be discussed in Parliament as part of the budgetary process. In this way, Parliament will be able to hold the Government to account for the progress made, as measured by the metrics, and brainstorm policy ideas going forward. This has been done in Italy, as described above, albeit with their own metrics.

Moreover, Ecuador and Bolivia have provided a template for the UK to adopt in relation to the metrics to be measured and policy development respectively. For instance, Ecuador has included into their national household survey the seven metrics developed as part of their Buen Vivir programme. Similarly, the UK can include a similar questionnaire as part of the National Census programme or annual paid survey programme for randomly selected households which are representative of the country's demographics. The findings can then be discussed in Parliament as part of the budgetary policy debates. Meanwhile, Bolivia has also provided a template on how a happiness concept can be turned into policy. Although Bolivia's circumstances are different from the UK, there are common themes which can be tailored to the UK, namely the emphasis on supporting locally produced goods and empowering citizens in developing their skills and knowledge base.

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Chris is currently serving in the role of Macroeconomist in the Young Fabians Economy & Finance Network. He is currently working as Transaction Diligence Senior at EY London, having joined the firm in 2014. His main interests include politics, current affairs and photography.

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