

## **Memorandum to Environmental Audit Committee inquiry on Well-being**

From: The Royal Statistical Society, 11 June 2013

### **Executive summary**

1. The EAC's interest in wellbeing, sustainable development and the four capitals (natural, produced, human and social capital) is timely. We argue that the EAC's definition of wellbeing as comprising the four capital needs considerable work before useful and measurable models can be constructed. Wellbeing and sustainable development are so closely interwoven that wellbeing measures and SDIs should be taken forward through a single measurement framework to meet a range of policy needs in a coherent and efficient way. These measures should also reach public opinion and political debate, as well as policy-making, if they are to help us to stop "mis-measuring our lives" by using GDP alone.

### **Introduction**

2. The Royal Statistical Society is a learned society for statistics a professional body for statisticians, and a charity which promotes statistics for the public good. Our mission includes to foster the production and publication of statistics on aspects of society, in which we see the wellbeing of society as a key concern. We are also actively involved in promoting the public understanding and use of statistics, again recognising that robust and relevant statistics on wellbeing should be readily available to the public.

### **Discussion**

3. In the introduction to the EAC's inquiry, wellbeing is said to comprise the four capitals (natural, produced, human and social capital). While wellbeing can be linked with these capitals, it is still far from clear what we mean by wellbeing, or how wellbeing is affected by the stocks of these capitals, or by changes in their levels. Both wellbeing and sustainable development measures effectively draw on the same broad model using the capitals, so the EAC's inquiry is a timely opportunity to work towards a single measurement framework, to support the assessment of the wellbeing of the nation, progress over time, and the sustainability of current developments.

4. Since the 1990s, there have been moves to produce a bigger picture of wellbeing and progress than that given by the conventional national accounts. The first step is "to view the way in which natural resources and environments provide economic benefits as being similar to the way in which any valuable asset provides 'services' to an economy" (Pearce and Barbier, 2000, p19). The second step is to recognise that human and social capital, as well as natural capital and produced capital, support the economic process. The third and final step is to accept that national wellbeing (or human welfare, in economic terminology) depends not just on the economic process but also on how all four capitals also support the things that make life worthwhile.

5. A number of high-level representations of such a big picture are starting to appear (eg Harper and Price, 2011) but we are a long way from constructing useful and measurable models. There are significant issues to consider in defining, measuring and valuing each

capital. It is not clear whether it is the level of capital, or changes in the level, that drives wellbeing. The wellbeing of some individuals might include an element of the assessment of the sustainability of the current position, as one example of how wellbeing and sustainable development are interwoven.

6. Both the Measuring National Wellbeing programme and the Sustainable Development Indicators are motivated by the aim to look not just at GDP but at wider measures of economic performance, social progress, the state of the environment and sustainability. They include measurement of capital (eg ONS, 2013). While there may be some advantages in letting a number of flowers bloom, it might be more productive to bring these developments together, to work on a single measurement framework to meet a range of policy needs in a coherent and efficient way.

7. Scott (2012) reviewed the potential conflict between improving wellbeing and sustainability as two central public policy goals of government. There is much common ground, especially through the focus each policy area has on broadly the same set of indicators. But to reach a potential “win-win scenario of wellbeing and sustainability” needs a “clearer conceptual framework for policy makers regarding different wellbeing constructs which would facilitate more transparent discussions”.

8. These measures should also reach public opinion and political debate, as well as policy-making, if they are to help us to stop “mis-measuring our lives” by using GDP alone, in the words of Stiglitz, Sen and Fitoussi (2010).

### **Recommendations**

9. That the Committee may wish to encourage ONS and Defra to consider a single framework for national wellbeing and sustainable development measures with some urgency, rather than necessarily waiting for each set of measures to stabilise. This framework should include all four capitals.

10. That the Committee stimulates political and public debate about how we live today, as well as opening up Government policy to wellbeing.

### **References**

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Stiglitz JE, Sen A and Fitoussi J-P (2010) *Mismeasuring Our Lives: Why GDP Doesn't Add Up. The Report by the Commission on the Measurement of Economic Performance and Social Progress*. The New Press, New York.