

Written Evidence submitted by the Wellbeing Economy Alliance Scotland

In response to the inquiry of the Environmental Audit Committee: “Can the UK economy take greater account of natural capital?”, on the 2nd of February 2020

Background to WEAll

1. The Wellbeing Economy Alliance¹ (WEAll) is the leading global collaboration of organisations, alliances, movements, and individuals working together to transform the economic system into one that delivers social justice on a healthy planet. WEAll Scotland is the Scottish hub of the global movement. WEAll brings together more than 200 members globally, with more than 40 in Scotland. Our membership is truly cross-sectoral, including businesses, third-sector organisations, academic researchers, and public sector organisations.²

How does the way the Government currently uses GDP in setting macro-economic policy affect the development of environmental policy and of cross-departmental action to achieve the UK’s environmental goals?

2. **GDP growth is closely linked to increasing greenhouse gas (GHG) emissions and other environmental damages.** The evidence suggests that it will be very difficult to achieve the reductions in GHG emissions needed to reach the goals of the Paris agreement while continuing with historic rates of GDP growth^{3,4}. Similar concerns apply for other environmental impacts, such as biodiversity loss and material use^{5,6}.
3. **GDP does not distinguish between production that directly serves a human need and production that is needed to defend against avoidable damage,** which can lead to perverse policy incentives. A recent report by WEAll found that the UK and Scottish governments spend billions of pounds in Scotland every year on failure demands, for example to top up poverty wages, house the homeless or build flood protection measures against climate change impacts⁷. Some of these failure demands, e.g. investments into flood defences, would be counted as contributing positively to GDP.

¹ Wellbeing Economy Alliance, <https://weall.org/>

² WEAll is a collaboration, not a representative body. This response benefits from the knowledge of our diverse members and associates, but do not necessarily represent their organisational positions or individual stances. WEAll is proud to support and amplify the ideas in this submission, but in doing so it does not present them on behalf of our entire membership.

³ Hickel, J. and Kallis, G. 2019. Is Green Growth Possible? *New Political Economy*. 25(4), pp.469–486

⁴ Haberl et al., 2020. A systematic review of the evidence on decoupling of GDP, resource use and GHG emissions, part II: synthesizing the insights. *Environmental Research Letters*. 15, article no: 065003

⁵ Parrique et al. 2019. Decoupling Debunked: Evidence and arguments against green growth as a sole strategy for sustainability. Brussels, Belgium: European Environmental Bureau. Available from: www.eeb.org/library/decoupling-debunked.

⁶ Otero et al. 2020. Biodiversity policy beyond economic growth. *Conservation Letters*. 13(4), article no: e12713

⁷ WEAll, 2021. [Failure Demand - Counting the true costs of an unjust and unsustainable economic system.](#)

4. At the same time, **GDP in wealthy nation is no longer a good predictor for health**⁸, well-being⁹ and other social outcomes¹⁰.
5. In summary **GDP growth in wealthy nations, like the UK, is now doing more damage than good**. But concerns over the impacts of strong environmental and social measures on GDP growth are a key reason that prevent the strong government actions that could prevent environmental breakdown and simultaneously increase collective wellbeing¹¹.

How could GDP, or other current measures of macro-economic activity, more fully account for human and natural capital assets? What are the challenges and/or opportunities in moving to a way of measuring economic progress which takes greater account of such assets?

6. We need to move to a Wellbeing Economy to address the urgent environmental and social challenges the UK is facing. A Wellbeing Economy would be designed to deliver **social justice on a healthy planet**. To achieve such an economy, policies would prioritise the delivery of 5 key needs to everyone¹²:
 - a. **Dignity**: Everyone has enough to live in comfort, safety, and happiness
 - b. **Nature**: A restored and safe natural world for all life
 - c. **Connection**: A sense of belonging and loving relationships
 - d. **Fairness**: Justice at the heart of the economy
 - e. **Participation**: Citizens are actively engaged in their communities and locally rooted economies
7. There is no one-size-fits all approach to delivering a Wellbeing Economy as every society has unique structures, values, and objectives. *The Wellbeing Economy Policy Design Guide*¹³, published by WEAll, sets out relevant processes for building a Wellbeing Economy and provides resources, tools, case studies, and suggestions that can help to:
 - a. **Develop a wellbeing vision**, framework and measurements.
 - b. **Design a strategy** to foster the areas of economic life most important for our wellbeing.
 - c. **Assess and co-create Wellbeing Economy policies** to build a coherent and innovative policy mix.

⁸ Julia K Steinberger, William F Lamb, and Marco Sakai, "[Your Money or Your Life? The Carbon-Development Paradox](#)," *Environmental Research Letters* 15, no. 4 (March 27, 2020): 044016

⁹ Richard a Easterlin et al., "[The Happiness-Income Paradox Revisited](#)," *Proceedings of the National Academy of Sciences of the United States of America* 107, no. 52 (December 2010): 22463–68

¹⁰ Richard Wilkinson and Kate Pickett, *Spirit Level: Why More Equal Societies Almost Always Do Better* (London: Allen Lane, 2009)

¹¹ Stratford, B. and O'Neill, D.W. (2020). The UK's Path to a Doughnut-Shaped Recovery. University of Leeds, Leeds, UK. <https://goodlife.leeds.ac.uk/doughnut-shaped-recovery>

¹² WEAll, 2019. [What is a Wellbeing Economy? Different ways to understand the vision of an economy that serves people and planet](#).

¹³ WEAll, 2020. [Wellbeing Economy Policy Design Guide: How to design economic policies that put the wellbeing of people and planet first](#)

- d. **Successfully implement Wellbeing Economy policies** by empowering local stakeholders and communities.
 - e. **Evaluate policy impacts** on wellbeing for learning, adaptation and success.
8. An important first step in building a Wellbeing Economy is to develop a vision, framework and measurements for collective wellbeing. Some national and local governments have started to define such visions, frameworks and measures. Such first steps are laudable and promising, although these measures are often not well known and not consistently used to set priorities in policymaking. Examples are:
- a. **The Scottish National Performance Framework that defines 11 National Outcomes** describing the kind of Scotland it aims to create, which are aligned with the UN Sustainable Development Goals.¹⁴
 - b. **The Well-being of Future Generations (Wales) Act 2015 defines 7 Wellbeing Goals** for Wales: A Prosperous Wales, A Resilient Wales, A More Equal Wales, A Healthier Wales, A Wales of Cohesive Communities, A Wales of Vibrant Culture & Thriving Welsh Language, A Global Responsible Wales.¹⁵
 - c. **In New Zealand: The Livings Standards Framework “includes four capitals: human, natural, social, and financial and physical capital, and 12 domains of wellbeing**, such as housing and social connections, which reflect our current understanding of the things that contribute to how New Zealanders experience wellbeing”.¹⁶
 - d. Another popular framework for setting holistic and multi-dimensional policy goals is the ‘doughnut’, first developed by Kate Raworth, which defines a doughnut-shaped, safe space for humanity.¹⁷ **The doughnut requires delivering a set of social thresholds relating to important human needs (representing the inner ring of the doughnut) without exceeding planetary boundaries (representing the outer ring of the doughnut)**. For example, this framework has been used to collectively, re-define policy priorities by local authorities, such as Amsterdam.¹⁸
9. Measuring progress against a multi-dimensional set of wellbeing measures is not enough. These measures need to build in as priorities into all stages of the policy process, when developing policies, deciding on policies, and evaluating policies, based on meaningful and widespread participation from the communities that are affected. In short a Wellbeing Economy comprises: a repurposed **economy** in service of people and planet, **policies** that are in cohesive and in support of this, and **practice** which is defined by the experiences of citizens and communities.

¹⁴ <https://nationalperformance.gov.scot/>

¹⁵ <https://www.futuregenerations.wales/>

¹⁶ <https://budget.govt.nz/budget/2021/wellbeing/approach/index.htm>

¹⁷ <https://doughnuteconomics.org/about-doughnut-economics>

¹⁸ Doughnut Economics Action Lab and others, 2020. The Amsterdam City Doughnut: A Tool for Transformative Action. <https://doughnuteconomics.org/amsterdam-portrait.pdf>

10. **Wellbeing budgets** are one important tool of how a Wellbeing Economy can be embedded in decision-making. They can be set at the national and local level and aim to **harness tax and spending decisions to foster a range of holistic wellbeing measures**, taking into account the impacts on present as well as future generations and working across silos. According to Dr Katherine Trebeck and Amy Baker, Wellbeing budgets should adhere to the following principles¹⁹:
- a. **Holistic and human**: adopt a whole-system approach that encompasses support across the suite of factors that shape people's scope to thrive.
 - b. **Outcomes-orientated**: focus on accountability for end results (often at a societal scale) rather than services or spending.
 - c. **Rights-based**: the goals of a budget should be to uphold and realise human rights and to do so in an accountable, transparent and participatory manner.
 - d. **Long-term and upstream**: policymakers should take decisions 'as if they mean to stay, rather than confining themselves to projects within one parliamentary term.
 - e. **Preventative**: prevention (and indeed a multidimensional wellbeing approach) is also about considering present and future generations around the world. The fiscal budget needs to operate within a science-based carbon budget that limits overconsumption of the earth's resources.
 - f. **Precautionary**: the evidence base for the harm caused by climate change and inequality is sufficiently sound to be acted upon, even if not all specific details are fully established.
 - g. **Participatory**: citizens need to be involved across the entire budget process via a creative, inclusive mix of methods that welcomes the experiences and ideas of everyone. Particular effort needs to be made to elevate the voices of those who are often marginalised.
11. Some governments have started to embed wider measures of progress into budgeting and wider decision-making. These laudable initiatives provide great starting points, but are still at early stages of deployment and do not yet add up to comprehensive programs and institutions that can deliver a Wellbeing Economy. Examples are:
- a. Wellbeing Budgeting is currently being used in New Zealand.¹⁰
 - b. The Well-being of Future Generations (Wales) Act 2015 does not only define Wellbeing Goals for Wales, but it also puts a statutory duty on many public bodies to work to improve the economic, social and environmental and cultural well-being of Wales. This work is supported reviewed by a Future Generations Commission for Wales.⁹

How might the public, businesses, financial institutions, and the financial system react to any move away from GDP as the primary indicator of prosperity? What challenges could this present for policymakers, and how might these be overcome?

12. There is strong evidence from citizen assemblies and polls showing public support for changing policy priorities away from GDP and towards those issues that directly impact collective wellbeing.

¹⁹ Dr Katherine Trebeck, Amy Baker, 2021. [Being Bold: Building Budgets for Children's Wellbeing](#)

- a. The UK climate assembly, commissioned by six committees in the House of Commons, shows that **the principles to protect the environment and to ensure fairness in the economy are seen as a higher priority than ensuring economic growth** by many people.²⁰
 - b. In Scotland's Climate Assembly, **83% of members supported the goal to: "Reframe the national focus and vision for Scotland's future away from economic growth and Gross Domestic Product (GDP)"** in order to reflect climate change goals towards the prioritisation of a more person and community centred vision of thriving people, thriving communities and thriving climate."²¹
 - c. An enquiry by the APPG on the Green New Deal, which engaged with more than 57,000 citizens, found that: "Two thirds of respondents wanted the Government to intervene to make society fairer and **the same proportion believe that health and wellbeing should be prioritised over GDP growth**".²²
13. Nevertheless, there might be resistance from the public if the transition to a Wellbeing Economy is perceived to impact on financial security, employment or quality of public services. Any transition to a Wellbeing Economy therefore needs to ensure that it is implemented in a way that is fair and makes sure that nobody is left behind. A recent report published by the University of Leeds, *The UK's Path to a Doughnut-Shaped Recovery*, ecological economists Beth Stratford and Dan O'Neill propose four ways to address this challenge¹¹:
- a. **Empower and protect workers** through strengthening the social security net and expand access to free basic services.
 - b. **Reduce the UKs exposure to private debt** crises through shifting from debt to equity finance, reducing irresponsible lending and making better use of the central bank.
 - c. **Tackle rent extraction** by reducing the power of landlords, monopolists & other rentiers to extract unearned incomes.
 - d. **Safeguard the basic needs of everyone** by Strengthen the social security net; expand access to free basic services.
14. **To build a Wellbeing Economy it is vital for governments of different countries to collaborate with each other**, to learn from each other and exchange best practices. WEAll is proud to support the **Wellbeing Economy Governments partnership WEGo**. "WEGo is a collaboration of national and regional governments promoting sharing of expertise and transferrable policy practices. The aims are to deepen their understanding and advance their shared ambition of building wellbeing economies. WEGo, which currently comprises Scotland, New Zealand, Iceland, Wales and Finland, is founded on the recognition that 'development' in the 21st century entails delivering human and ecological wellbeing."²³

²⁰ Climate Assembly UK. [The Path to Net Zero - Executive Summary](#), p. 10

²¹ Scotland's Climate Assembly. [Full Report - Measuring Success](#)

²² APPG on the Green New Deal. [How to Reset - Policies to deliver on the public desire for a fairer, greener Britain after Covid](#), p.9

²³ <https://weall.org/wego>

Please contact Lukas Hardt if you want to find out more about the contents of this submission or the work of WEAll Scotland.

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