

## Policy Forum: The Measurement of Well-Being

# Measuring the Kind of Australia We Want: The Australian National Development Index, the Gross Domestic Product and the Global Movement to Redefine Progress

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### Abstract

*There is a growing global movement to re-define progress beyond gross domestic product (GDP) and develop new measures of equitable and sustainable well-being. GDP's shortcomings as the chief measure of societal progress have been clearly exposed, but it is still widely used in this role, with increasingly adverse consequences. This article examines the lessons from this global movement and the technical and democratic requirements for developing new national progress measures. It focuses on a new Australian project, the Australian National Development Index, which will develop a composite index of national progress and key progress 'domains' through a national community engagement process supported by a cross-disciplinary research program.*

### 1. The Real Wealth of Nations

Too much and for too long, we seemed to have surrendered personal excellence and community values in the mere accumulation of material things. Our Gross National Product, now, is over \$800 billion dollars a year, but that Gross National Product – if we judge the United States of America by that – that Gross National Product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl. It counts napalm and counts nuclear warheads and armored cars for the police to fight the riots in our cities. It counts Whitman's rifle and Speck's knife, and the television programs which glorify violence in order to sell toys to our children. Yet the Gross National Product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. 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. And it can tell us everything about America except why we are proud that we are Americans.

[Kennedy 1968]<sup>1</sup>

In a famous speech just months before he was assassinated, Robert Kennedy argued that the real wealth of a nation is not its economic output alone. Rather, it is the well-being, skills and wisdom of its people, the values and qualities of its society, the vitality and integrity of its culture and institutions and the health of the environment which nurtures it.

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The underlying question that Kennedy posed—What is true progress or well-being for a society?—is in fact a very old one, debated for thousands of years in many civilisations. Yet, despite differences of language, culture and history, it is surprising how often the same themes have recurred over the ages: Is progress primarily about individual or collective development? Is it the ‘destiny’ of humankind or merely an enlightened possibility? Is it a necessary consequence of political or economic power? (see, for example, Bury 1920; Nisbet 1980; Salvadori 2008; Salvaris 2010).

Perhaps, the most venerable question of all is this: How far does true progress (or well-being or ‘the good life’) consist of an increase in material wealth and living conditions, rather than qualitative improvements, such as in wisdom, happiness, justice, peace, spiritual and cultural well-being, or merely ‘a balanced life’? This problem has preoccupied especially philosophers in all ages and cultures. Aristotle’s (1952, p. 341) memorable aphorism ‘Wealth is evidently not the good we are seeking, for it is merely useful and for the sake of something else’, had its counterpart in Confucian and early Islamic thinking and its echo 2,000 years later in John Ruskin. ‘That country is the richest which nourishes the greatest number of noble and happy human beings’ Ruskin and Rosenberg (1980, p. 270) and in Amartya Sen (see Nussbaum and Sen 1997) and Robert Kennedy in our own times.

It is a question that has also engaged some thoughtful economists, in this form: Is continuous growth in the economy a necessary precondition of human and social progress? Adam Smith, John Stuart Mill and John Maynard Keynes, all in their different ways, argued for a shift from quantitative economic growth to quality of life, not only because of resource limits or physical laws but also on ethical and social grounds.

Mill (1848) argued that the economy would reach a certain point of size or efficiency at which it would become stable and regenerative and not need to grow any larger; at this point, men would be free to concentrate on more important aspects of moral and social progress.

Keynes (1931) argued to a similar effect, although without explicitly advocating a ‘steady-state’ economy or rejecting a continuously growing economy. He believed that, at a certain point, common agreement will be reached on what he regarded as the secondary or instrumental ‘problem’ of how to operate an economy for the benefit of society, which could then apply its attention to higher order problems such as culture and human relations. Smith (1776) argued for limits to economic growth from a somewhat different perspective. He believed that the population growth generated by economic growth might start to produce negative impacts on human progress and quality of life, such as depressed wages and depleted natural resources.<sup>2</sup> On the basis of these views, all three might have made common cause with the Club of Rome and latter-day economists and environmentalists like E. F. Schumacher, Kenneth Boulding, Nicholas Georgescu-Roegen, Manfred Max-Neef, Herman Daly, Donella Meadows, John Cobb, Hazel Henderson, Paul Hawken, Robert Costanza and Tim Jackson.

Ultimately, though, the meaning of progress for any given society is not just a philosophical or an economic question. It is a matter of intense public, practical and democratic concern. Throughout history, the idea of ‘progress’ has been a powerful political driver, which carries with it a sense of inevitability and national destiny (see Salvaris 1998). The way that progress is officially defined and measured in any society—and by whom—has direct consequences, not just for national policies and public debate, but most importantly for the actual outcomes and life chances of ordinary citizens. In a truly democratic society, therefore, citizens have the right, and the duty, to participate in defining the goals and priorities—and hence the broad directions of progress—for their society.

## 2. Is Gross Domestic Product (GDP) an Obsolete Measure of Progress?<sup>3</sup>

In a world divided by religion, politics, and culture, there is at least one thing that unites us. From Washington to Pyongyang, Bombay to Berlin, Mecca to Rome, government and business the world over worship this one thing

with absolute devotion. Legions of acolytes track its progress and prophesize its future course, believing wholeheartedly that growth in this thing is the road to salvation, and decline in it the path to damnation. This thing is a number. The number is Gross Domestic Product.

[Butler 2004]

For nearly 60 years, GDP has been the world's most recognisable and influential measure of the overall progress of nations. How did this come about, when on its face, it seems unsuited for the purpose?

GDP is usually defined as:

the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.

[OECD 2008a, p. 236]

From this definition and as a matter of logic alone, it is difficult to see how GDP could itself constitute a satisfactory measure of the 'overall progress of society'.

The concept of societal progress, by even the most parsimonious definition, is complex and multi-faceted. It necessarily includes social, environmental and governance dimensions, as well as economic. It embraces both the material and non-material aspects of individual well-being, such as income and health, on one hand, and relationships, culture and meaning on the other. It must take account of the advancement of societal values (such as justice) and the proper functioning of societal systems and institutions (government and the economy), as well as the health of larger enabling systems such as the ecology. Finally, true progress must be sustainable (that is, able to benefit future generations).

Certainly, economic production is reasonably considered an important ingredient in the wider picture of societal progress and a key means to material well-being. On this account, GDP could be claimed as a necessary measure of progress, but not a sufficient one, because economic production does not axiomatically contribute to broader societal well-being. This will depend, for example, on what is produced and in what manner and how the benefits are distributed. Nor is it an end in itself, unless

one is prepared to argue that producing and consuming goods and services in a market economy represents the highest form of human progress or societal good. This seems, at best, a strangely hollow and reductionist view of the richness and diversity of human life and the possibilities of cultural and societal development as noted by thinkers through the ages. It shrinks the notion of social progress to one simple equation: 'life equals shopping'.

Criticisms of GDP as the single or principal measure of societal progress have been gathering from many different directions over the past 50 years. Some focus on its narrow scope and methodology, others on its implicit social rationale: that the progress of society is best achieved, and most other problems can be solved, by continuous growth in the production of goods and services in a market economy. Some of these criticisms may reflect a misunderstanding of the original (and limited) purpose of GDP, but others more justifiably target the knowing misuse of GDP. A sample of these criticisms includes the following:

- '(Economic) growth is not an end in itself, but rather an instrument for creating better conditions of life.' (Ministerial Council of OECD, quoted in OECD 1982, p. 7).
- 'GDP is not an appropriate metric of progress. It includes economic activities that can reduce well-being (see, for example, production and consumption of "goods" with negative impact on human health and natural environment). It does not include all available resources (in particular the resources of households). It excludes several important factors of well-being (health, education, working conditions, equity, time use, social relations, social cohesion, citizenship etc.). It ignores essential factors of sustainability of well-being (see, for example, environmental, human and social capital).' (Suarez de Miguel 2010, p. 13).
- 'We put too much emphasis on measuring what we produce, principally through GDP, and not enough on assessing our well-being and progress. Too many important policy

decisions are taken with GDP as the main measurement rod. GDP takes no account of the productive activity which occurs at home [...] We need new indicators that measure what we value as a society. We need to raise living standards and confidence, not just GDP.’ (Gurría 2010, p. 2).

- ‘GDP cannot distinguish between growth (an increase in quantity) and development (an improvement in quality).’ (Harris and Burns 2004, p. 1).
- ‘Endless growth is impossible in a finite world and cannot be clung to as the measure of success of our economic system.’ (David Suzuki, quoted in Australian Conservation Foundation 2011, p. 11).
- ‘Citizens rightly consider that the main purpose of political action is to improve present and future well-being. Increased production of goods and services, as measured by the GDP growth rate, is only an intermediate target. Economic growth may well be necessary, but it is not sufficient for society’s progress.’ (European Statistical Commission 2012, p. 10).

It is a great historical irony that no one was more aware of the limitations and the potential for misuse of the GDP than its chief inventor. For Simon Kuznets, American economist and Nobel Prize Laureate, GDP was never intended as a measure of overall social well-being. Kuznets famously remarked that ‘the welfare of a nation can scarcely be inferred from a measurement of national income as defined by the GDP’. Nor was growth itself necessarily a good thing, he said: ‘Goals for “more” growth should specify growth of what and for what’ (Kuznets 1934, p. 7).

Yet despite this clear warning, and by default over many years, GDP has come to be used as the key measure of national progress and political success, especially by politicians and economists. Certainly, when used in this way, it has had tremendous political power—all the more potent in a world where statistics have become ‘the structural DNA codes of nations

(which) reflect a society’s values and goals and become the key drivers of economic and technological choices’ (Henderson 1996) and because GDP is presented as a single unambiguous index of success or failure, whose regular release can uplift or cast down politicians and editorial writers alike. The GDP today is ‘a celebrity among statistics, a giant calculator strutting about adding up every bit of paid activity’ (Uchitelle 2008).

There is, unfortunately, ample evidence to suggest that GDP has been, and will continue to be, knowingly misused. Gittins (2011) said that:

When you argue that GDP is a poor measure of national well-being and point out its various limitations, the economists will agree. But that will not stop them continuing to treat GDP as though it is the one thing that matters.

Given the prestige and power which GDP confers upon its acolytes and interpreters, it seems that it is simply too tempting to continue benefiting from a flawed measure, rather than trying to fix it.

This might help explain why, with some honourable exceptions, most of the pressure to correct GDP and develop new and better measures of societal progress has not come from economists. In the frank assessment of a senior Australian Treasury officer, David Gruen:

Economists and statisticians have long known that GDP is not, and was never intended to be, a measure of well-being or progress. While we have long known its limitations, we as a discipline have not done enough to discourage its use in inappropriate places. In fact, we arguably, if inadvertently, do much to promote GDP as a measure of progress.  
[see Tandon 2010]

Nordhaus and Tobin (1972, p. 4) said much the same 40 years earlier:

GNP (gross national product) is not a measure of welfare. Maximization of GNP is not a proper objective of policy. Economists all know that, and yet their everyday use of GNP as the standard measure of economic performance apparently conveys the impression that they are evangelistic worshippers of GNP.

Even so, there have been some significant interventions against GDP by mainstream economists. In 1995, 400 leading American and Canadian economists, including Nobel laureates, issued a joint statement supporting an alternative measure to GDP. They argued that:

[...] since the GDP measures only the quantity of market activity without accounting for the social and ecological costs involved, it is both inadequate and misleading as a measure of true prosperity. Policy-makers, economists, the media, and international agencies should cease using the GDP as a measure of progress and publicly acknowledge its shortcomings. New indicators of progress are urgently needed to guide our society. [Colman 2010, p. 4]

Perhaps, the most authoritative critique of GDP by eminent economists was delivered in 2009 in the lengthy report of the International Commission on the Measurement of Economic Performance and Social Progress (see Stiglitz, Sen and Fitoussi 2009). This Commission, set up by then French President, Nicolas Sarkozy, included amongst its 25 members five Nobel Prize winners in Economics<sup>4</sup> and was chaired by Professor Joseph Stiglitz. Its final report was a comprehensive dissection of the failings of GDP as a measure of both social progress and economic performance.

As an economic measure, the Commission argued, GDP is deficient on four counts: (i) it fails to take account of increases in quality and productivity; (ii) it allows grossly inflated price reporting for some key market transactions (that is, shares, financial); (iii) it misreports the 'product' or 'added value' of some key components of the economy (such as public health and education, which it simply values at input cost); and (iv) it fails to provide a 'balance sheet' of assets and liabilities or report the overall sustainability of the economy (that is, it takes no account of growing debt and shrinking resources), something that is essential in the basic accounting of any business.

Most tellingly, Stiglitz, Sen and Fitoussi made the point that these are not theoretical problems, but have serious practical consequences for both economic performance and social outcomes. The reporting failures of GDP, they argued, played some part in generating or

aggravating two current world crises, climate change and the Global Financial Crisis, and if not corrected, they would continue to contribute to poor policy decisions:

What we measure affects what we do: if our measurements are flawed, decisions may be distorted [...] one of the reasons that the (Global Financial) crisis took many by surprise is that our measurement system failed us [...] Choices between promoting GDP and protecting the environment may be false choices, once environmental degradation is appropriately included in our measurement of economic performance [...] The time is ripe for our measurement system to shift emphasis from measuring economic production to measuring people's well-being. And measures of well-being should be put in a context of sustainability.

[Stiglitz, Sen and Fitoussi 2009, pp. 7, 12, 18]

Finally, and perhaps unexpectedly, for an expert technical report, Stiglitz and his panel unambiguously argued for the democratic principle that new progress measures demanded a community debate around the world.

### 3. The Global Movement to Redefine Progress

Over the past 10 years or so there has been an explosion of interest in producing measures of societal progress [...] that go beyond GDP to represent a broader view of the ways in which societies are progressing and regressing [...] Initiatives to do just this are being run in many countries rich and poor [...] by governments, by civil society, by academics and the private sector [...] A world movement is emerging and the linkage between statistical indicators, policy design and democratic assessment of the performance of a country (a region, a city etc) is at its core.

[OECD Statistics Directorate 2008]

The hegemony of GDP as a social progress measure is now being challenged by a new global movement. The origins of this movement are diverse and date back at least 40 years. Some of the key drivers include: the environmental movement and the Club of Rome; the women's movement and its focus on the unpaid domestic economy; the United Nations Development Programme and the Human Development Index of the 1970s; the Kingdom of Bhutan and its Gross National Happiness program, from the early 1980s; the local community planning movement; Canada's

pioneering community-research project, the Canadian Index of Wellbeing (CIW), begun in the 1990s; 'triple bottom line' business management; and the growth of happiness research in psychology.

For many years, these various projects and movements had mostly developed apart, despite a shared concern about the inadequacies of GDP. However, in 2004, a significant catalyst and unifying force emerged in the Organisation for Economic Co-operation and Development's (OECD's) global project, 'Measuring the Progress of Societies', led by Italian economist and statistician, Enrico Giovannini. This project was specifically designed to create a global platform to bring these different elements together and to promote a global debate about the meaning of progress 'beyond GDP', not just its measurement. In 2007, these goals were formally agreed in a joint declaration by the OECD, the United Nations (UN), the European Commission and the World Bank at the OECD World Forum in Istanbul.<sup>5</sup>

The OECD has pursued these goals with energy and flair. Initiatives have been launched and workshops convened in all global regions. Four World Forums since 2004 (in Italy, Turkey, South Korea and India) have each attracted up to 1,500 participants. Much has been done to raise awareness and change attitudes concerning, for example, 'the growing gap that exists between the image conveyed by official macro-economic statistics such as GDP, and the perceptions of ordinary people about their own socioeconomic conditions' (OECD 2011). Research networks have been set up (the 'Global Progress Research Network'), a major global internet platform and knowledge base has been developed ('Wikiprogress') and a new progress measurement framework has been built (the 'OECD Better Life Index').<sup>6</sup>

Following this lead, other international initiatives have been moving in the same direction. The European Union launched its long-term 'Beyond GDP' project in 2007. The World Economic Forum set up a Global Council initiative on 'Benchmarking the Progress in Societies' in 2008. The International Commission on the Measurement of Economic Performance and Social Progress (above) was

established in 2009. The Pittsburgh Summit of the Group of Twenty Finance Ministers and Central Bank Governors called for work on measurement methods that 'better take into account the social and environmental dimensions of economic development' (G20 2009). The UN General Assembly held a special workshop and then passed a unanimous resolution in 2012 on incorporating happiness and well-being measures into development programs.

This year, the United Nations Secretary-General's High-Level Panel on Global Sustainability (2012, pp. 64–5) called for a common global framework for measuring progress:

While material prosperity is important [...] it is a long way from being the only determinant of well-being [...] purely economic indicators say nothing about whether material well-being is bought at the expense of environmental and social impacts or at the risk of putting undue stress on natural resources.

National initiatives to develop new social progress measures are now in place in countries including Australia, Germany, Italy, Ireland, Japan, Korea, New Zealand, Slovenia, Spain, Thailand, United Kingdom and United States.<sup>7</sup> At the sub-national level, community, local and regional initiatives around well-being, quality of life or sustainability measurement systems now number in the hundreds.<sup>8</sup>

### *3.1 Lessons and Implications from the Global Movement*

In the unfolding of a global movement, what began as a statistical problem has been gradually transformed into a set of fundamental questions about the nature of progress in the twenty-first century. These questions have become steadily more urgent and insistent under the pressure of global problems such as climate change and the world financial crisis.

Now, after nearly a decade of intensive activity and at many different levels of community and society, it is possible to identify some of the key lessons and agreements from this global movement. They are spelt out in many reports and conference declarations and in a growing number of research projects and

international collaborations reviewing broader developments, comparing case studies and evaluating best practice (some important examples include Bertelsmann Foundation 2013; European Union 2012a, 2012b; New South Wales Parliamentary Research Office 2012; U.S. Government Accountability Office 2012).

From these diverse sources, consensus can generally be identified on six basic propositions:

- (i) The GDP, despite its value as measure of market economic activity, is an inadequate measure of societal progress, and perhaps even of economic well-being, and persisting in using it as such will have negative impacts on economic and social progress.
- (ii) Societies need to develop better and more integrated ('holistic') measures of their progress; at a minimum, these should take account of five inter-dependent domains of broad societal progress, well-being and sustainability: economy, society, culture, environment and governance.
- (iii) Better measures of progress must take into account qualitative and not just quantitative dimensions of progress, such as subjective well-being, community belonging, relationships, life satisfaction and happiness.
- (iv) The underlying problem we are facing may not be the wrong measure but the wrong model of societal progress and a better model of true progress than 'increasing economic production' would be 'increasing equitable and sustainable well-being'.
- (v) Developing a new progress paradigm and new measures is, in part, a civic and democratic task that requires the engagement of citizens, working with academics, scientists and policy makers.
- (vi) People and governments now urgently need to consider the implications of these new progress measures and how they can

be best understood and applied in practice (that is, 'mainstreamed').

The last point of agreement is the least charted. What are the practical implications of a 'new paradigm of progress' and of entrenching new national progress measures? How could they be put into effect? What would it mean for government planning and policy making? For the economy? For public debate? For the expectations of citizens? Even for the nature of our current politics? The potential costs may be significant and the effects far-reaching, but so too, in the longer term, might be the benefits.

The fact that governments and policy makers are beginning to take these questions more seriously is itself another positive trend in the global movement. The policy implications of major changes in the key measures of national progress, including economic planning and redistributive impacts, are being noticed and discussed.<sup>9</sup> Some of these are already clear: a shift from production to emphasise equitable and sustainable well-being; a greater focus on the factors which create well-being and good communities; the use of indicators and indices as a positive evaluation and planning tool; and the involvement of citizens and therefore the use of indicators as a democratic engagement device.

Finally, one other form of convergence is underway which may, in the long run, prove the most powerful driver of the global movement. This can be described as a kind of 'cultural' or 'model' convergence: the movement towards a common global 'measuring progress' model and agenda by four models, each with different purposes and cultural origins:

- the essentially European, 'positivist' (that is, primarily policy- and statistics-driven) model, represented by the 'Beyond GDP' and OECD approach;
- the UN Millennium Development Goals, with indicators specially calibrated to a limited number of essential development targets for the world's poorest countries, rather than a general 'progress' model;

- the broader global movement for ‘sustainable development’ and the development of sustainable development goals and indicators;<sup>10</sup> and
- the influential ‘Gross National Happiness’ model, with its Buddhist emphasis on well-being, cultural development and balance (exemplified by national projects of Bhutan and Thailand).

This convergence has been accelerated chiefly by two factors, from within and without. External pressures noted earlier (climate change, the world financial crisis and growing global inequalities) have all served to highlight the defects of GDP and the need for better progress measures. At the same time, increasing interaction and dialogue between the protagonists of the four models through the global network and shared platforms has brought increasing recognition of their common ground.

#### **4. Australia’s Role and the Australian National Development Index Project**

Australia has played a significant role in the global movement and shares many of the concerns which drive it. We now have quite a long tradition and a wide spread of innovative work on measuring progress and well-being at different levels of government and society, supported by a strong academic and research base. We are also confronted with the same kinds of problems and challenges in defining, measuring and planning our future societal progress as many other OECD countries.

Twenty years ago, the Australian Senate instituted an inquiry into a new system of measuring national progress (Senate Legal and Constitutional Committee 1995, 1996). Four years later, the first national, cross-disciplinary conference on measuring progress was convened in Canberra in 1997.<sup>11</sup> In 1999, and partly as a result of that conference, the Australian Bureau of Statistics (ABS) under new Australian Statistician, Dennis Trewin, began to develop its pioneering ‘Measures of Australia’s Progress’ (MAP). With this

initiative, the ABS became the first national statistical organisation in the world to develop a framework which acknowledged the limitations of GDP as a measure of societal progress and sought to combine economic, social, environmental and democratic dimensions of progress. The MAP itself was to become the key stimulus for the OECD’s global project, ‘Measuring the Progress of Societies’, launched in 2004. In 2012, after continuous revision and innovation, MAP remains a global leader among national statistical offices.

Over these two decades, a wide range of progress measurement initiatives has been developed across Australia, from neighbourhood and municipal to regional, state and national levels. Some of the best-known examples are: Tasmania’s 20-year community planning project, ‘Tasmania Together’,<sup>12</sup> and South Australia’s Strategic State Plan<sup>13</sup> (both of which have developed comprehensive measures of state progress, well-being and sustainability, based on community input); and Community Indicators Victoria,<sup>14</sup> a community progress and planning framework for 79 local governments, cited by the OECD as a global model.

##### *4.1 The Australian National Development Index*

In May 2010, a major citizens’ initiative to develop a new national index of progress was launched: the Australian National Development Index (or ANDI).<sup>15</sup> It will be based on an extensive national community and research program that addresses the question: ‘What kind of Australia do we want?’

The Australian National Development Index is a direct product of the 20-year history of re-defining progress work in Australia. Its immediate progenitors were the Victorian health promotion agency, VicHealth (a long-time supporter of the development of new national well-being indicators), and the national ‘Ideas Summit’ that was convened in 2008 by then Prime Minister, Kevin Rudd. At the Summit, one ‘big idea’ which attracted extensive support was ‘a national index [...] to measure Australia’s economic, social and environmental

progress', based on 'engaging with the community in discussions about what is important for progress and development' (Department of Prime Minister and Cabinet 2008, pp. 173, 180).

The Australian National Development Index is a coalition of 50 Australian non-government organisations representing a diverse range of community interests and expertise, supported by a team of universities. Partners range from trade unions and business groups, churches and local governments to environmental, social welfare, human rights and youth organisations. It will also have some government partners, but funding and governance will be predominantly community based.<sup>16</sup>

The Australian National Development Index aims to be 'a strong national voice' in support of the 'paradigm shift' now being urged around the world—to redefine progress, from increased economic production to equitable and sustainable well-being. Taking the advice of the OECD<sup>17</sup> and the International Commission on the Measurement of Economic Performance and Social Progress,<sup>18</sup> it will aim to promote a broad national debate about what progress means to Australians in the twenty-first century ('What kind of Australia do we want?') as a prerequisite to the development of new measures and indices of national progress:

ANDI is a community initiative to revitalise our democracy and engage all Australians in a national debate about our shared vision for Australia. Based on the idea of an ongoing national conversation about what kind of society we want to be, (ANDI) will develop clear ongoing measures of our progress towards that vision: an Australian National Development Index. [Allen Consulting Group 2012, p. 3]

It is this feature which perhaps sets ANDI apart most clearly from projects aimed merely at statistical innovation. It is intended as a civic process and the scale of its aims here are ambitious. It proposes to undertake a 2-year national community engagement program that will directly reach half-a-million Australians, using a comprehensive array of participatory platforms and techniques: social media and GetUp!-style campaigns; online and formal surveys; town meetings and local government

forums; video and film projects and school programs.

The Australian National Development Index will also aim to build a national network and resource base for the growing national movement to develop community well-being measures at local, state and national level and to become a participant in the OECD's global project, 'Measuring the Progress of Societies'. An early priority will be to develop a high-quality and community-friendly website linked to the global project's Wikiprogress site and a national education and communications program.

In structure and funding, ANDI is modelled on the CIW, now in its 10th year and an acknowledged world leader.<sup>19</sup> The CIW has agreed to 'partner' the Australian project, an arrangement which ANDI's developers hope will bring mutual benefits through the exchange of ideas, people and practices.

The Australian National Development Index also envisages a strong complementary relationship with the ABS. It will support MAP by drawing on MAP's key data and its new 'MAP 2.0' measurement framework and feeding back the priorities identified by the ANDI's community discussion; this in turn should strengthen ABS's plans for the future development of MAP 2.0.<sup>20</sup> The ANDI's use of indices will complement the 'dashboard approach' used in MAP.

#### 4.2 Progress Domains and Composite Indices

The Australian National Development Index's national progress index will be built around 12-key 'domains' of progress (subject to their confirmation by the community and research process): children's and young people's well-being; community and regional life; culture, recreation and leisure; governance and democracy; economic life and prosperity; education, knowledge and creativity; sustainability and the environment; health; Indigenous well-being; justice, fairness and human rights; subjective well-being and work and work life.

Each 'progress domain' will be supported by a group including research, community and

policy interests and will develop a ‘domain index’ aggregated from perhaps a dozen leading indicators. Each domain index will be released annually, but in a different month. It is hoped that this will enable a continuous discussion in the media and the public sphere about the quality of Australian life and what Australians believe are the priorities for national progress. The Australian National Development Index’s key research partner will be the Australian Council of Learned Academies, the national peak group representing Australia’s outstanding scholars and researchers across all universities and disciplines.

The development of composite indices to measure broad phenomena, such as social progress, is expected to be complex and controversial, but nonetheless such indices are in wide use globally. A recent report by the United Nations Development Programme lists 178 indices on subjects ranging from child development and social disadvantage to human rights, democracy and happiness (see Bandura 2008). Statisticians are wary of indices, but they still use them: the ABS’s Socio-Economic Indexes for Areas is such a case. The most common objections tend to be on methodological grounds: for example, that there is no reliable means to compare different units of measurement or to weight the different components. It is also argued that a single number hides the complex differences and movements of the component indicators or obscures what may be a skewed distribution and so, in either case, can give the wrong policy signals.

Index supporters argue that a single number is a powerful means to attract attention and that there are sound statistical methods to overcome the technical problems, such as Z-scores to standardise measurement scales and community preference surveys to guide weightings. Four recent European papers support the idea of a composite index to measure concepts, such as well-being, sustainability and democracy (although with some qualifications), and provide clear suggestions as to how the methodological issues can be tackled (see Nardo et al. 2005; Commission on the Measurement of Economic Performance and Social Progress

2008; European Union 2008; Hoskins and Mascherini 2009).

The Australian National Development Index’s national progress index will be developed carefully and transparently and mindful of these difficulties. In the end, this need not be an ‘either/or’ argument: an index and a dashboard approach (using multiple ‘leading’ indicators) are not mutually exclusive, but indeed can complement each other. An index is a valuable means to attract publicity (with journalists and politicians especially) but it also is a natural ‘door-opener’: a vehicle to create interest in the underlying indicators that caused the overall index to move. Just like the GDP.

## 5. Citizens’ Progress Measures: A ‘Reassertion of Democracy’?

We are facing both an opportunity and a duty to rethink what progress really means and to build stronger and more inclusive visions for the future of our societies. Citizens are looking for new ways to improve their lives. We need committed citizens, scientists and well-informed leaders ready to engage the whole of society in an assessment of the challenges ahead [...] We have to move towards measuring welfare not just output. It will constitute a major contribution to stability and democracy.

[Gurría 2009]

From a policy perspective alone, the potential benefits of developing clear national progress measures are substantial. They can improve governance and public debate in a number of ways: clearer policy and planning goals, better evaluation of success and a more clearly defined and shared ‘vision’ that can provide a concrete starting point for debate and policy development.

However, as we have seen, there is a growing realisation that this is not purely a policy or a technical issue. It is also a democratic issue. New progress measures will guide public policy and debate, just as the old ones did, and so will directly influence the distribution of opportunities and life chances in a society. Citizens need to be engaged, for at least two reasons. First, because it is ultimately the responsibility of citizens in democracies to decide the broad goals and priorities of their communities, to which any sensible notion of

progress must be directed. Second, because engaging them in this meaningful civic task may prove to be a valuable means to revitalise democracy at a time when, in many nations including Australia, there is a considerable degree of apathy, pessimism and cynicism about government and democracy. The indicators that a society chooses to report to itself about itself are surprisingly powerful: ‘the idea of citizens choosing their own indicators is something new under the sun—something intensely democratic’.<sup>21</sup>

Canadian social commentator, John Ralston Saul, was one of the first to see this broader connection. In his widely acclaimed book, *The Unconscious Civilization* (Saul 1997), Saul argued that the process of developing new measures of progress should be part of a larger process of civic renewal. As corporatism has grown, he claimed, citizens have gradually metamorphosed into customers and somewhere along this path, and despite the increase in our material well-being, modern civilization has lost its reflective capacity, the ability to ask the Socratic question: ‘What is the way we ought to live?’. It is by asking this question, and by making specific claims for the standards of a decent society against the dominant corporate goals, that we can re-assert the lost legitimacy of a democracy of citizens.

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## Endnotes

1. A speech by Robert Kennedy at the University of Kansas on 18 March 1968. Kennedy died on 6 June 1968.
2. Mill (1848, para. IV.6.9) wrote that ‘a stationary condition of capital and population implies no stationary state of human improvement. There would be as much scope as ever for all kinds of mental culture, and moral and social progress; as much room for improving the art of living, and much more likelihood of it being improved, when minds ceased to be engrossed by the art of getting on’. Keynes (1931, p. vii) wrote: ‘The day is not far off when the economic problem will take the back seat where it belongs, and the arena of the heart and the head will be occupied or reoccupied, by our real problems – the problems of life and of human relations, of creation and behavior and religion’. Smith (1776) predicted that ‘in the long run, population growth would push wages down, natural resources would become increasingly scarce, and division of labor would

approach the limits of its effectiveness’ (see <[http://en.wikipedia.org/wiki/Steady\\_state](http://en.wikipedia.org/wiki/Steady_state)>).

3. The title of the cover story of Schwartz (2010).
4. Amartya Sen, Joseph Stiglitz, Kenneth Arrow, James Heckman and Daniel Kahneman.
5. See <<http://www.oecd.org/site/worldforum06/istanbul-worldforum-measuringandfosteringtheprogressofsocieties.htm>>.
6. See <<http://www.wikiprogress.org>> (Global Project Research Network) and <<http://www.oecd.betterlifeindex.org>>.
7. Most notably, the *Key National Indicators Act 2010* that was signed by President Obama.
8. For an interesting visual overview of progress measurement projects around the world, from international to local community levels, see <[http://www.wikiprogress.org/index.php/Progress\\_Around\\_the\\_World](http://www.wikiprogress.org/index.php/Progress_Around_the_World)> and the ABS website <<http://blog.abs.gov.au/Blog/mapblog2010.nsf/dx/indicator-land-maps.htm>>.
9. Four important reports or articles which illustrate this trend are: European Union (2010) (a special issue of Eurostat’s *Sigma – The Bulletin of European Statistics*, focusing on the implementation of the International Commission on the Measurement of Economic Performance and Social Progress and other EU and OECD recommendations); Kroh (2011), Kroll (2011) and Policy Horizons Canada (2011). Additionally, this is the key focus of the ‘Brainpool’ project (European Union 2012a).
10. Best exemplified in the 1987 Brundtland Commission report (United Nations World Commission on Environment and Development 1987) and reaffirmed by governments at the Rio+20 Conference and the 66th Session of the UN General Assembly (see <<http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N11/476/10/PDF/N1147610.pdf?OpenElement>>).
11. The proceedings of this conference were recorded in Eckersley (1998).
12. See <<http://www.tasmaniatgether.org.au>>.
13. See <<http://www.saplan.org.au>>.
14. See <<http://www.civ.net.au>>.
15. See <<http://www.andi.org.au>>.
16. Information about ANDI is sourced from the ANDI website at <<http://www.andi.org.au>>.
17. ‘To measure progress, one needs to know what it looks like. Progress undoubtedly means different things to different societies, and we will encourage and help societies to have a dialogue about what progress means to them.’ (OECD 2008b).
18. ‘The Commission believes that a global debate around the issues and recommendations raised provides an important venue for a discussion of societal values, for what we, as a society, care about, and whether we are really

striving for what is important.’ (Stiglitz, Sen and Fitoussi 2009).

19. See <<http://www.ciw.ca>>.

20. The ABS’s plans for the future development of MAP are set out in a recent paper that was prepared with input from a national Expert Reference Group, which includes the present author. See <[http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1370.0~2010~Chapter~Future%20directions%20%20\(7\)](http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1370.0~2010~Chapter~Future%20directions%20%20(7))>.

21. See <<http://www.sustainableseattle.org>>.

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