

Tilting the Scale

A Theoretical Framework to
re-direct Public Policy away
from Economic Growth
towards Sustainable and
Inclusive Wellbeing

Summary



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SUMMARY

The Need for a New Narrative

Societies around the world are facing serious ecological and social crises. The repercussions of climate change and biodiversity loss are starting to be felt, inequalities in income and wealth are growing, while global disparities between high-income and low-income countries persist and are sometimes intensifying. Demographic pressures of aging societies are starting to materialise and for the first time, life expectancy is declining in some high-income nations. Additionally, polarisation is causing deep social fissures, urban-rural divides and geo-political tensions are mounting. Some characterise this period as an era of “polycrisis”.

These crises are fuelling the idea that society has arrived at an impasse when it comes to defining its goals and resolving its problems. The “old narrative”, which prioritises the pursuit of economic growth (as measured by the change in Gross Domestic Product (GDP)), does not provide meaningful solutions to the various crises societies are currently facing. On the contrary, it seems to be a fundamental source of several of its predicaments.

Criticisms of the old narrative have existed for decades, alongside the emergence of alternative visions of a good life for all within environmental limits. Nevertheless, the debates surrounding a “new” framework are far from settled. Different proponents stress different goals, problems, and solutions with proposals ranging from incremental change to systemic overhaul. These alternatives include the Sustainable Development Goals, Doughnut Economics, and Better Life Initiative, to name a few. These frameworks have had success in sense that they have received scientific acclaim, are popular in the media or have garnered political support.

However, relative to the economic growth narrative, these alternatives have only had a small impact on public policies of national governments or international governance, laws, and treaties. Why? This is one of the enduring questions in the “Beyond-Growth” debate. There seems to be a lack of understanding about how new narratives could influence public policy. This report therefore aims to answer two crucial questions:

1. *How do narratives influence formal political institutions?* To answer this question, a *theory of institutional change* is proposed which is based on a synthesis of the literature on institutional economics and transitions theory. The framework is applied to examine how the economic growth narrative became so influential after the Second World War as well as its enduring dominance today. It is furthermore used to analyse the reasons behind the limited success of new narratives thus far.
2. *What theoretical foundation is needed for the technical infrastructure underlying this new narrative?* This report provides an interdisciplinary theoretical synthesis to guide the development of metrics, accounting frameworks, and macro-economic models based on three dimensions: wellbeing, inclusion, and sustainability (WISE) which is increasingly used in academia and (international) governance.

Together, these two elements form *the theoretical framework*. Based on these insights, eight concrete recommendations are provided which provide guidance on how to shift public policy away from economic growth to sustainable and inclusive wellbeing. Ultimately, the reason for developing this theoretical framework is to facilitate the effective advancement of a new narrative capable of resolving the interconnected problems that societies around the world are facing. Some of the recommendations will be pursued in the WISE Horizons project, while others will, hopefully, be picked up by other actors engaged in bringing about this vital shift in narrative.

The Societal Goals of the Theoretical Framework: Wellbeing, Inclusion, and Sustainability (WISE)

What should the theoretical foundation of the new narrative look like? What goal would replace Gross Domestic Product (GDP) (the economic indicator used to quantify the size and growth of the economy)? What new metrics, accounting systems, and models would be needed to inform novel governance structures and policies? These are crucial questions, with the past 50 years yielding a plethora of high-quality answers. Yet, despite the many valuable proposals, there is a distinct lack of coherence in terms of methodologies, concepts, and terminologies used.

A crucial element of this lack of consistency is the formulation of an alternative policy goal to replace economic growth.¹ For many decades this has been referred to as the quest to go “Beyond-GDP”. However, “Beyond-GDP” only stresses on what society should *not* strive for. A positive formulation is needed. As long as an alternative narrative is only expressed in opposition to the old one, it will lack salience and effectiveness in influencing public policies. What is needed is a coherent vision for the goals of societies.

This report will show that the scientific literature is converging towards a sound theoretical foundation for a new narrative. There are also encouraging signs that various initiatives of the United Nations, the OECD, and the European Commission are converging towards a common conceptual and terminological foundation, which is based on the seminal Brundtland report and the Stiglitz-Sen-Fitoussi report that was published in 2009. This theoretical convergence is based on the distinction between three dimensions:

- *Wellbeing* reflects the average wellbeing of the current generation, encompassing both experienced wellbeing and factors such as social relations, mental health, air pollution, and material living standards.
- *Inclusion* relates to the distribution of wellbeing, comprising the distribution of wellbeing determinants and opportunities across spatial scales (within countries, between countries, and globally) and social groups (gender, ethnicity, socioeconomic background, etc.).
- *Sustainability* refers to the wellbeing of future generations, encompassing social and socioeconomic conditions for future wellbeing, such as education and infrastructure, as well as environmental aspects, emphasising the necessity of operating within Earth’s planetary boundaries.

¹ In this report, the term economic growth is taken as synonymous to the real growth (i.e. adjusted for price changes) of Gross Domestic Product (GDP)

These dimensions define societal progress from the perspective of inter-generational and intra-generational wellbeing. The main socio-political goal is therefore defined as *sustainable and inclusive wellbeing*. Less formally, the target of policy could be described as *wellbeing for all, now and in the future*. This goal is at the heart of the new narrative which this report proposes.

Theory of Institutional Change

How do narratives influence the policies, governance, and technical tools that shape our societies? And how can these insights be used to promote an alternative narrative centred around sustainable and inclusive wellbeing? These are the questions the theory of institutional change seeks to answer.

Figure A presents a visualisation of the theory of institutional change, depicting a tilted scale, which shows that contemporary formal political institutions remain primarily aligned with the economic growth narrative. Ideas play a crucial role in that regard. In essence, there are four types of ideas: paradigms, public sentiments, frames, and programmes. Together these four ideas form a narrative which impact on decision-making processes within the formal political institutions.

The programmes – understood here as actionable plans – play a crucial mediating role, linking narratives to the formal political institutions. Programmes can be formulated for the three types of formal political institutions:

- *Technical infrastructure* includes metrics such as Gross Domestic Product (GDP), accounts such as the System of National Accounts (SNA), and models to assess macroeconomic policies or provide forward-looking scenarios.
- *Governance* refers to the political and regulatory frameworks that coordinate political action by defining the strategies, goals, and support mechanisms that underlie policies.
- *Policies* are concrete political interventions such as restrictions, bans, taxes, subsidies etc. aimed at changing the behaviours of societal actors in a desired manner.

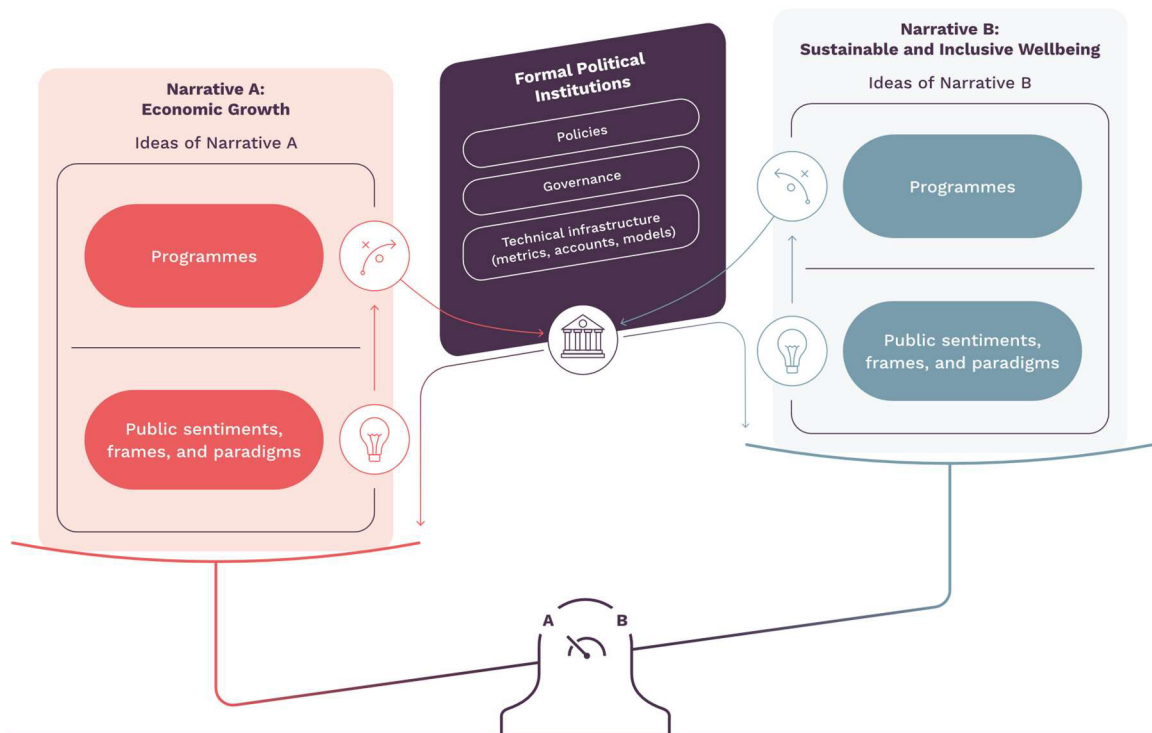


Figure A. Theory of Institutional Change – Simplified Representation

But how do can the scale be tilted from the economic growth narrative to the sustainable and inclusive wellbeing narrative? Answering this question requires reflecting on the dynamics of institutional change, which can in turn inform a strategic course of action to advance the institutionalisation of a new narrative within the formal political institutions.

The institutionalisation of a new narrative and its advancement through the formal political institutions is depicted in Figure B. The figure shows that initially a coherent paradigm forms, meaning that concepts, norms, and languages start to converge. Building on this alignment, the institutionalisation of a narrative usually commences with its translation into the technical infrastructure, that is the metrics, accounts, and models. Subsequently, governance builds on and employs the technical infrastructure by establishing political targets, allocating budgetary resources, or implementing enforcement mechanisms. Finally, governance informs and shapes the formulation and implementation of programmes for policies.

Crucially, reinforcing feedback loops between the formal political institutions facilitate the advancement of a new narrative through the phases. In that way, the establishment of technical infrastructure presents a crucial lever to shape governance and ultimately policies, which may give rise to a virtuous circle supporting the institutionalisation of a new narrative.

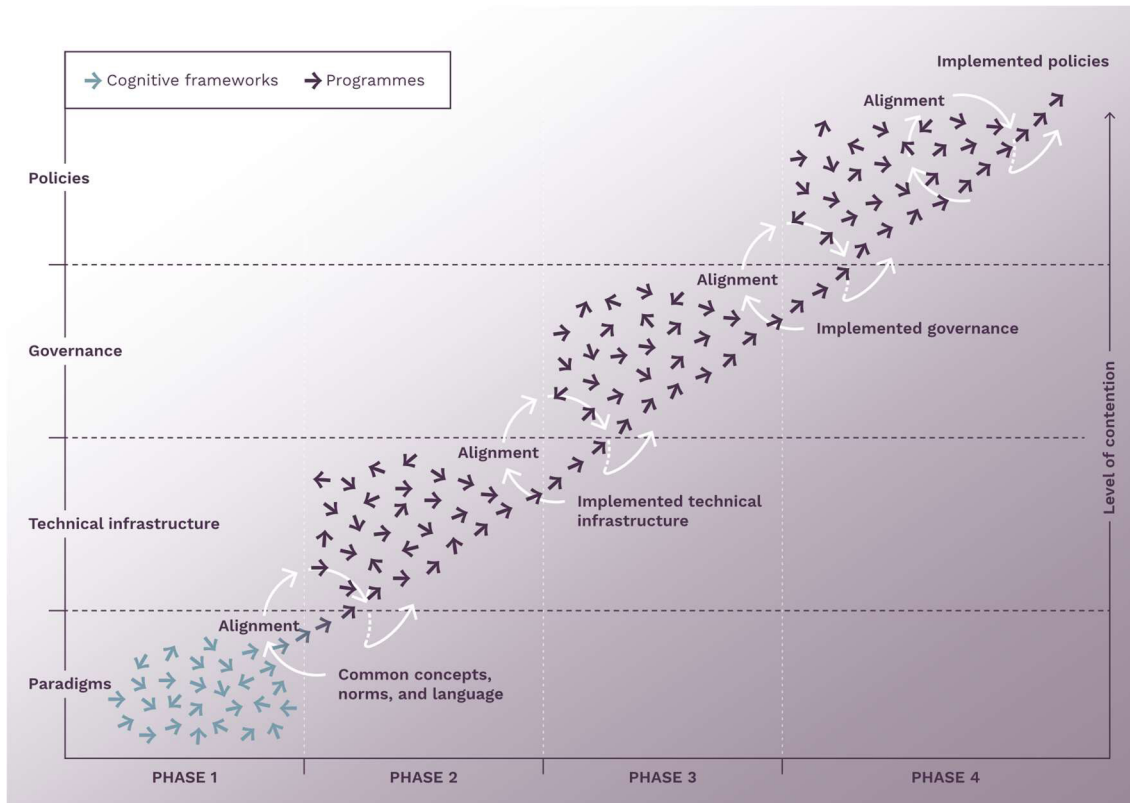


Figure B. The Four Phases of Institutional Change

Left Side of the Scale: Economic Growth

The theory of institutional change is helpful to understand the ascent of the economic growth narrative in the past 70 years. The initial phase of this narrative was heavily dominated by the Great Depression and the Second World War. Within this context, political decisionmakers were looking for ways to manage these crises as well as develop policies to recover from them. Economists provided data, economic accounting systems, and models (technical infrastructure) which formed the basis for governance frameworks (e.g. the New Deal) and policy interventions (e.g. fighting unemployment by investing in roads, bridges, and dams).

In the post-war period, the technical infrastructure was aligned globally. In 1953, the UN decided to create the System of National Accounts (SNA) which formalised the language and concepts that were adopted by most macro-economists and which continue to be used to this day. Ultimately, the SNA also provided the data for empirical macro-economic models which helped decisionmakers navigate different policy options.

In the aftermath of the Second World War governments, and international organisations created governance structures to explicitly promote economic growth. Importantly, the Bretton Woods agreements which led to the creation of the World Bank and International Monetary Fund which are mandated to help manage the global economic and financial systems. The OECD was tasked to help Europe recover from the war and set a specific target for economic growth in 1961. In the European Union similar growth strategies, such as the Growth and Stability Pact, are used to enshrine

economic growth in governance. These governance frameworks have led to the implementation of countless policies on innovation, competitiveness, taxes, and international free trade with the primary aim of facilitating economic growth.

Given that the economic growth narrative is so extensively embedded in the current technical infrastructure as well as the governance and policy levels, it has the power of “the incumbent” to block the institutionalisation of a new narrative.

Right Side of the Scale: Sustainable and Inclusive Wellbeing

To what extent have the ideas about a new narrative managed to provide a counterweight on the scale? For the last 50 years, many different elements of a sustainable and inclusive wellbeing narrative have been suggested. Numerous metrics (e.g. the Human Development Index, Sustainable Development Goals, Genuine Progress Indicator) have been proposed, alongside the development of accounting systems (e.g. the System of Environmental-Economic Accounts (SEEA)) and the creation of ecological macro-economic models. Some countries have experimented with governance to enhance wellbeing. A notable example is the wellbeing budget which was introduced by the New Zealand Treasury in 2019. In short, there have been numerous influential developments and notable successes worth celebrating.

The emergence of this narrative can be traced back to the early 1970s. A major catalyst was the *Limits to Growth* report by the Club of Rome, which employed the latest computer modelling methods of that time. This report was highly influential and also coincided with an important development in governance, namely the 1972 *Stockholm Conference on the Human Environment*. This conference led to the creation of the UN Environmental Program (UNEP) and led to many countries implementing environmental ministries. In terms of national governance, Bhutan’s Gross National Happiness program was also launched in the early 1970s.

Later, in 1987, the seminal *Brundtland report* was instrumental in advancing the concept of “sustainable development” and the Earth Summit of 1992 catalysed the political consideration of metrics in numerous countries. The OECD, World Bank, and the European Commission also developed their own Beyond-GDP approaches.

Many national governments followed suit. This also included a French initiative which led to the seminal *Stiglitz-Sen-Fitoussi report* which is foundational to the conceptual approach advocated in this report. Several countries, including New Zealand, combined force in the Wellbeing Economy Governments (WEGo) with support from the OECD. The formulation of the Sustainable Development Goals (SDGs) in 2015 provided a governance framework that has garnered significant support from governments, businesses, civil society actors, and other stakeholders.

While the above developments take a broad view of social progress, there are instances where a specific policy theme becomes particularly influential. In the case of climate change (a key component of sustainability), the Intergovernmental Panel on Climate Change (IPCC) played a pivotal role as it supported the establishment of political targets on the governance level such as the Kyoto Protocol and the Paris Agreement. Here, Integrated Assessment Models (IAMs) were developed to inform decision-making processes, serving as a scientific basis during negotiations. In a

similar way, the System of Environmental and Economic Accounts (SEEA) have been developed to guide climate and other environmental policies.

Given these developments, it would be mistaken to assume that there has been no advancement of the sustainable and inclusive wellbeing narrative within formal political institutions. But despite substantial progress, these developments remain insufficient when it comes fundamentally shifting the direction of public policies. A significant challenge lies in achieving greater alignment among existing approaches and initiatives, especially concerning the technical infrastructure.

Theoretical Framework: Creating WISE Technical Infrastructure

The economic growth narrative has coherent technical infrastructure (metrics such as GDP, accounts such as the System of National Accounts (SNA), and macro-economic models). While there is heterogeneity in the modelling approaches, having a globally harmonised accounting framework with key indicators provides an important foundation to the success of the economic growth narrative.

What could a theoretical foundation for the sustainable and inclusive wellbeing narrative look like? Clearly, there is no need to start from scratch to create the WISE metrics, WISE accounts, or WISE models. It is more a matter of creating a coherent interdisciplinary synthesis of existing approaches, informed by the manifold seminal academic contributions of the past decades. Moreover, it is crucial to take a global, rather than a national perspective. Hence, the theoretical framework provides a coherent set of metrics, accounts, and models which can enable decisionmakers around the world to understand current societal challenges and formulate policies to resolve them.

Recommendations

The insights of this report culminate in eight recommendations, five of which are based on the theory of institutional change and three of which are informed by the theoretical foundation of the technical infrastructure. This also raises the issue of which actors should implement each recommendation. These are specified in the sections below. The eight recommendations are summarised and depicted in their relation to our theoretical framework in figure C.

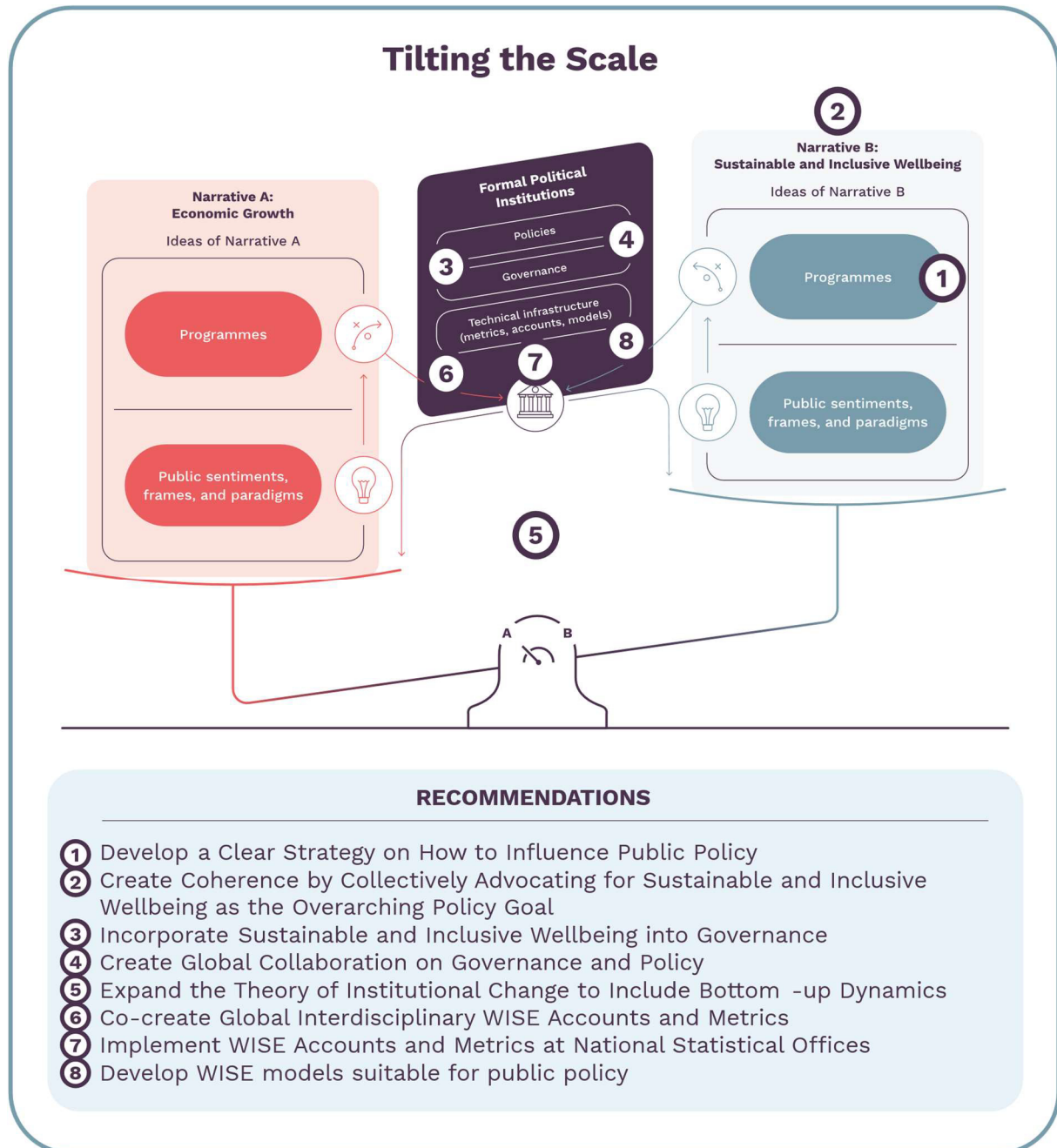


Figure C. Recommendations Derived from the Theoretical Framework

Recommendations - Theory of Institutional Change

1. Develop a Clear Strategy on How to Influence Public Policy

Books and articles on the sustainable and inclusive wellbeing narrative often focus on the urgency of mainstreaming a new narrative and some come up with suggestions for a new metric or model. However, many initiatives in that space are not clear on how those ideas will be taken up in public policy. As a result, new approaches often remain in the academic sphere or confined to the realm of the technical infrastructure. For example, many Beyond-GDP indexes or dashboards have been developed but their real-world impact remains limited as these are too rarely integrated into governance and policy.

*This report recommends that **academics** wishing to contribute to the sustainable and inclusive narrative do so with the intention of creating a programme, a concrete actionable plan, that could be implemented in the technical infrastructure, governance, or policy sphere of the formal political institutions. This requires policy-literate academics capable of understanding how to link their work to the current political context and landscape as well as actors working at the science-policy interface. For example, it also requires **decisionmakers** capable of identifying scientific work that can shape public policy.*

2. Create Coherence by Collectively Advocating for Sustainable and Inclusive Wellbeing as the Overarching Policy Goal

There is a lot of heterogeneity when it comes to new narratives. This means that initiatives are often competing with each other in terms of influencing public policy and relevant decisionmakers. The Sustainable Development Goals, Doughnut Economics, Better Life Initiative, and the Human Development Index, among others have all had some success in gaining traction in public policy but provide divergent concepts and methodologies.

While all these initiatives agree that economic growth should not be societies' main goal, they are incoherent in terms of the suggested alternatives and the terminology employed. This report presents an interdisciplinary synthesis showing that all these initiatives are related to the three core concepts of the theoretical framework: wellbeing, inclusion, and sustainability. Furthermore, this categorisation – which is based on Brundtland report and the conceptual work of Stiglitz, Sen, and Fitoussi – has recently gained institutional traction in processes led by the United Nations, OECD, and the European Commission.

*This report invites **all actors** involved in formulating a new narrative to advocate sustainable and inclusive wellbeing as the main goal of society. This terminological consistency will add to the idea that the various initiatives are collaborating rather than competing and hence increase the chances of translating this new narrative into the formal political institutions.*

3. Incorporate Sustainable and Inclusive Wellbeing into Governance and Policy

Currently the governance of national and local governments, central banks, and international bodies such as the International Monetary Fund, World Bank, and

European Union, are geared primarily towards the old narrative of economic growth. The policies that are derived from these governance frameworks will logically prioritise GDP growth or other economic objectives such as inflation, competitiveness, and employment. Governance and policies are also needed that support the sustainable and inclusive wellbeing narrative in public policy.

*This report recommends that **political decisionmakers** incorporate the goal of sustainable and inclusive wellbeing into governance frameworks as a guiding principle, thus supporting the formulation of relevant policies. Political targets, enforcement mechanisms, and budgetary allocation should thus be aligned with the broad goal of sustainable and inclusive wellbeing.*

4. Create Global Collaboration on Governance and Policy

Creating novel governance structures or policies is pioneering work. National, regional, and international authorities all over the world are experimenting with this issue, with varying degrees of success. In 2018, an informal network of countries known as the Wellbeing Economy Governments (WEGo) was established. Such knowledge sharing networks on governance and policy need to be scaled up and expanded.

A deliberative knowledge exchange process should build on existing groups such as WEGo or other initiatives that are managed by the UN, OECD, and other international organisations. These deliberations should convene a mix of policymakers, civil society actors, and academics with the aim of integrating sustainable and inclusive wellbeing into governance and policy.

*This report recommends that an international deliberation on governance and policies for sustainable and inclusive wellbeing is stimulated by **international organisations** and **governments** to promote the exchange of best practices. It is important that these exchanges are facilitated by adapting existing deliberative bodies which have already been initiated by international organisations.*

5. Expand the Theory of Institutional Change to Include Bottom-up Dynamics

The theory of institutional change has been created to facilitate understanding of how the formal political institutions of national governments and international organisations can be steered away from a focus on economic growth towards embracing a new narrative centred on Sustainable and Inclusive Wellbeing.

The theory thus focuses on top-down dynamics in which changes of the formal political institutions in line with sustainable and inclusive wellbeing give rise to desirable societal transformations. Due to this focus, the theory does not take into account the role and impact of bottom-up initiatives by individuals, NGOs, or other civil society actors, but still acknowledges their vital importance when it comes to bringing about narrative change.

*This report recommends that the theory of institutional change is expanded by **academics** to include bottom-up dynamics.*

Recommendations – Theoretical Framework Technical Infrastructure

To bring about narrative change in public policy, it is crucial to advance the theoretical foundation of metrics, accounts, and models and thus contribute to the establishment of the technical infrastructure. These technical tools are essential to embed the sustainable and inclusive wellbeing narrative in governance and policy.

This is the part of the theoretical framework which the WISE Horizons project will be focussing on in the coming years. In essence, the project will be formulating programmes which could be implemented by national governments and international organisations. It is, of course, beyond the mandate of the project to dictate to political decisionmakers which metrics, accounts, and models to implement. Nevertheless, the project will provide clear guidance on the steps that might be taken towards institutionalisation of these tools based on an interdisciplinary synthesis of the scientific literature.

6. Co-create Global Interdisciplinary WISE Accounts and Metrics

In the case of economic statistics, the core metric (Gross Domestic Product) is part of an internationally agreed accounting standard (System of National Accounts). The formal accounting framework also makes it possible to look at trade-offs and synergies between economic variables which is vital to assess the overall impacts of economic policies. In the case of sustainable and inclusive wellbeing the link between metrics and accounts is much weaker. Quite often, WISE indexes and dashboards are suggested without a formal accounting structures to support them.

The endeavour to create WISE accounts and metrics can build on the experience of the System of National Accounts (SNA), and extended accounts such as the System of Environmental-Economic Accounts (SEEA) and the Distribution of Income in National Accounts (DINA). This should be an interdisciplinary undertaking involving mainstream economists, heterodox economists, other social sciences, and natural sciences.

*This report recommends that the statistical governance of the international institutes facilitate a co-creation process for **academics, statisticians, and modellers** to develop interdisciplinary WISE accounts and metrics. Involving stakeholders from policy would also ensure that the WISE accounts and metrics align with their needs, which would increase chances of political uptake.*

7. Implement WISE Accounts and Metrics at National Statistical Offices

The mere existence of an accounting framework does not automatically result in its adoption by statistical institutes. In certain cases, adoption was facilitated by legally mandating the implementation of statistical frameworks. For example, some of the modules of the SEEA are compulsory for EU Member States. However, many countries lack statistical resources needed for implementation and hence require assistance from international organisations. The World Bank, International Monetary Fund, and United Nations often have funds available (for SNA, SEEA or SDGs) for relevant capacity building. The WISE accounts implementation should be designed with these efforts in mind.

*Building on recommendation 6, this report recommends that **international organisations** support the implementation of WISE accounts at **national statistical offices**. These efforts should build on existing capacity building programs.*

8. Develop WISE Models Suitable for Public Policy

Current macro-economic models used in public policy do not capture all dimensions or interactions relevant to sustainable and inclusive wellbeing. This is partially due to a lack of high-quality data which should be resolved by the introduction of WISE accounts. Nevertheless, there are also more foundational ways in which existing models ought to change, including the need for changes in the underlying methodologies and assumptions.

*This report recommends that the **academic and policy modellers** keep improving WISE models (based on WISE accounts) and that **decisionmakers** explore ways to increase the influence of these models on policymaking.*

Tilting the Scale: Wellbeing for All, Now and in the Future

The eight recommendations offer high-level guidance on long-term objectives, outlining how various actors can collaborate to bring about societal change. Academics and actors working at the science-policy interface (such as those involved in the WISE Horizons project) can make sure that their work is cognisant of governance and policy processes. However, this narrative change is a collective endeavour, involving a multitude of actors, each playing their own role in advancing the sustainable and inclusive wellbeing narrative.

The narrative change that is needed is within reach. Through collective coordinated efforts, public policy can shift from economic growth towards a new narrative that prioritises sustainable and inclusive wellbeing. Let's tilt that scale, starting today.



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