

Research & Policy Brief Series

Community Wellbeing Indicators and the History of “Beyond GDP”

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What is the Issue?

Improving human wellbeing is a goal of most communities and nations around the world. But how do we measure it? Since the Great Recession, gross domestic product (GDP) and other growth-centric frameworks have been critiqued as not adequately capturing social welfare or progress. For example, while the GDP in the U.S. has recovered and continues to grow in recent years, unemployment and poverty remain above pre-Recession levels. What we measure and how we measure it matters, because our goals are often specified and evaluated by these indicators.

Scholars and policymakers have suggested alternative measures of progress, such as community wellbeing.² Critiques of GDP-centric models are not new; there has been a long history of calls for alternative measures of social progress. This brief describes community wellbeing indicators and their history, and recent developments at the local level. Understanding indicators and their ability to help measure progress in wellbeing is an important issue for communities in New York State and around the world.

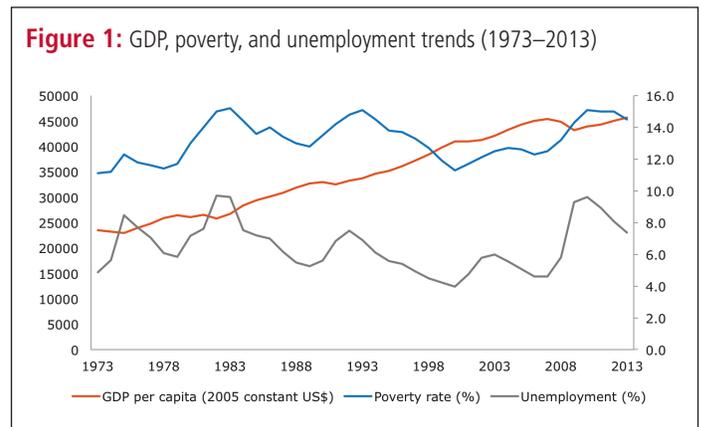
What are Community Wellbeing Indicators?

“Community wellbeing” refers to the desires and needs of a community,³ similar to other concepts such as happiness, livability, and sustainability. They all share a dissatisfaction with the paradigm of economic growth as the ultimate goal.

“Indicators” are pieces of information about larger systems or concepts that we cannot measure directly. Community wellbeing indicators can be quantitative (e.g., number of community centers) or qualitative (e.g., quality of public transportation), and indicators may come from existing data sources (e.g., the U.S. Census) or from a survey of community residents. Indicators can stand alone or be combined to form an index. Often, people are interested in how community indicators have changed over time, and how closely they track to a benchmark or target.

The History of Community Wellbeing Indicators

Widespread criticism of the GDP as a measure of social progress can be traced back to the social indicators movement in the 1960s in the U.S., a mere 30 years after Simon Kuznets developed the GDP. Researchers at the American Academy of Arts & Sciences (AAAS) tried to measure the impact of the space race on American society, and realized existing indicators were inadequate for capturing



Source: Bureau of Labor Statistics, U.S. Census Bureau, World Bank National Accounts Data

social impacts. The AAAS report called for more collection and use of social indicators. These efforts also overlapped with President Johnson’s Great Society program, during which there was growing interest in measuring what was happening in society.

In 1974, economist Richard Easterlin examined changes in income per capita and happiness in the U.S. He found income and happiness grow together, but after a certain threshold, income continues to grow while happiness does not. This motivated a body of research called “happiness studies” in economics to find better measures and drivers of happiness. Meanwhile, studies in sociology focused on quality of life, emphasizing the use of qualitative and subjective measures of life.

In the early 1980s, Bhutan, a small country in the Himalayas, announced it would use the Gross National Happiness (GNH) index to guide national policies, instead of the GDP. Bhutan’s story has become the iconic case that scholars refer to as a possible model, but no larger or more powerful countries have followed this path. Moreover, due to the economic boom linked with free market ideology under the Reagan and Thatcher administrations, social indicators entered a period of decline in the 1980s.

In the late 1980s, Amartya Sen, an economist at the United Nations (UN), argued we should focus on a society’s capability, rather than GDP. This “capability approach” makes two normative claims: 1) development means increasing people’s freedom (i.e., self-determination) and 2) freedom should be understood in terms of capability. Capability refers to the real opportunities for people to do and be what they have reason to value. Sen used the example of a bicycle: I may have the ability to use a bicycle as a mode of transportation because I possess one. However, if I cannot use my legs due to a physical disability, I do not have the

¹ The author would like to thank Youngwha Kee, Seung Jong Lee, and Mildred Warner for helpful comments. The usual disclaimers apply.

² Kee, Y., Kim, Y., & Phillips, R. (2015). Modeling Community Well-Being: A Multi-dimensional Approach. In Y. Kee, Y. Kim, & R. Phillips (Eds.), *Learning and Community Approaches for Promoting Well-Being* (pp. 1-15, Springer Briefs in Well-Being and Quality of Life Research). Switzerland: Springer International Publishing.

³ Lee, S. J., Kim, Y., & Phillips, R. (2015). Exploring the Intersection of Community Well-Being and Community Development. In S. J. Lee, Y. Kim, & R. Phillips (Eds.), *Community Well-Being and Community Development: Conceptions and Applications* (pp. 1-8, Springer Briefs in Well-Being and Quality of Life Research). Switzerland: Springer International Publishing.

capability to use this bicycle.

Interests in environmental sustainability increased at the 1992 Earth Summit when the UN adopted “Agenda 21,” a non-binding, voluntary action plan for sustainable development. Measures of sustainable development linking environment and human welfare emerged. Despite these alternative measures, the dominance of GDP as the measure of progress has continued. At best, the critiques have led to some modified versions of the GDP, such as:

- Genuine Progress Indicator (measures sustainability of income),
- Genuine Savings (accounts for depreciation of produced capital, investments in human capital, depletion of natural resources, etc.), and
- Green GDP (adjusts the GDP for environmental impacts).

But none of these have become more successful than the GDP. For example, China announced its Green GDP project in 2004, and the first report in 2006 showed environmental pollution cost China \$64 billion in economic losses in 2004, accounting for 3.05% of China’s GDP. The Green GDP project was cancelled in 2007.

Aftermath of Crisis: A New Paradigm or No Time for Change?

The recent financial crisis has re-emphasized the question of whether economic growth—measured by increases in GDP—is enough. Politicians have taken an active role in posing these questions. For example, French President Nicolas Sarkozy commissioned the 2009 Stiglitz-Sen-Fitoussi report titled, “Mismeasuring our lives.” In 2010, UK Prime Minister David Cameron announced his Big Society and wellbeing project. In 2013, Korea President Park Geun Hye won the election with her campaign based on increasing citizen happiness. Korea has also supported the Community Wellbeing Institute through a national grant⁴. Also in 2013, Italy launched the equitable and sustainable wellbeing or BES (*Benessere Equo Sostenibile*) project.

On the other hand, the financial crisis has emphasized the need for economic growth and public austerity as the solution. This has pushed non-economic elements to the sidelines because “we can’t afford it.” For example, in 2010 Maryland adopted the Genuine Progress Index under Governor Martin O’Malley. However, this became a source of controversy in the 2014 gubernatorial elections when Larry Hogan criticized this decision for increasing tax

burdens on households and firms.

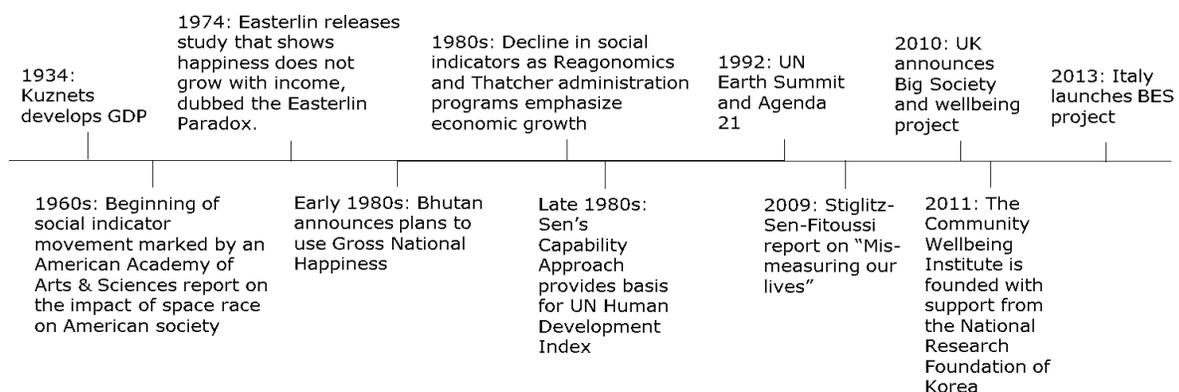
At the local level, there has been less politicization of these decisions. In fact, the first community quality of life indicators project started at the local level in Jacksonville, Florida, in 1985 as a collaborative project among citizens, local government, and business leaders. These projects need not be restricted to affluent communities. [ACT Rochester](#) is a community indicators project that began in 2009 in the Rochester area of New York. According to a 2013 special report on poverty by ACT Rochester, Rochester is the fifth poorest city in the country among the top 75 largest metropolitan areas. The project publishes report cards on indicators related to arts, culture, and leisure; children and youth; community engagement; economy; education; financial self-sufficiency; health; housing; and public safety. These report cards use intuitive symbols and design to facilitate community and policy discussions.

Conclusion

While the post-2008 Recession period has re-engaged critiques of the GDP as an adequate indicator of societal wellbeing, there are also calls to focus on economic growth as the prime measure again. This latter voice argues that a time of crisis is no time for new measures. Local governments are especially in a bind as they struggle to balance their budgets. A new expenditure item is usually unwelcome news. However, utilizing accurate and more holistic community wellbeing measures is important for understanding a broader range of community needs and how local government decisions might impact wellbeing across the population.

The public water crisis in Flint, Michigan, illustrates the dangers of narrowly focusing on financial indicators to the exclusion of other impacts. The City of Flint, Michigan decided to switch their water supply to cut costs in 2014. A recent report shows that this decision resulted in high levels of lead contamination in the public water system. The mayor and Michigan governor have declared a state of emergency as blood tests show above-average levels of lead in an increasing number of infants and children. Thus, the need for community wellbeing measures may be even more urgent during times of fiscal stress as decisions are made to further limit the supports and services that local government can offer. These indicators can serve as useful tools in community dialogues to more fully explore the possible range of impacts of purely fiscally based decisions.

Figure 2: Timeline of Key Events in the “Beyond GDP” Movement



⁴ The Community Wellbeing Institute is a research organization funded by the National Research Foundation of Korea. More information available at www.communitywellbeing.org.

