The implementation of Beyond GDP: the idea versus interest debate
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Abstract

This paper answers the question "Why is the concept of Beyond GDP mostly implemented on the local level, and not on the national level?". Global Domestic Product (GDP) has seen a lot of critique on how it is measured, and in the recent years the concept of Beyond GDP has become more prominent. In short, Beyond GDP looks not only at economic development, but also at other indicators such as education and health. However, Beyond GDP has been mostly implemented on the local level, and not on the national level.

This paper argues that the idea versus interest debate also applies for this topic. The paper proposes that ideas of policy makers do matter, and that the interest of powerful actors also play a role in this debate. The results of this paper find that ideas of policy makers do indeed matter and are important in the debate to move from GDP to Beyond GDP, both on the national and local level. On the other hand, interest play a mixed role, being somewhat important on the national level, but not important for the local level.

Table of Contents

Introduction

Ever since the introduction of the Gross Domestic Product (GDP) in 1934, GDP has been the main measurement tool to measure the economic power of a country, as well as its standard of living. However, there are several critiques on using GDP as the main measurement tool, such as the politicization of the indicators of GDP and all of the aspects GDP does not measure (Mügge, 2020; DeRock, 2021; Stiglitz et al., 2009; Coyle, 2014). These critiques focus on the aspect that the current way GDP is measured ignores the well-being of the population, and that other factors such as the environment, sustainability and well-being of the population should also be included when looking at policy-making tools (Stiglitz et al., 2009).

These critiques on GDP have led to many attempts to come up with a replacement of GDP, in order to measure more aspects of life which then in turn can change policy-making in the right direction. Examples of these attempts are the Human Development Index in the late 1990s, and later on the Green GDP and the Genuine Progress Indicator followed. In 2007, the European Commission organized the 'Beyond GDP' conference, with the aim "to explore how to improve the measurement of progress, true wealth and the well-being of nations" (*Beyond GDP*, 2007, p. 1). This concept of Beyond GDP entails not one specific alternative, but is the all-round name used for alternatives for GDP. These alternatives look not only at economic development but also measure other things such as the sustainability and equitability of this development, as well as at environmental conservation, preservation and promotion of culture, and good governance.

However, countries have been reluctant to implement other policy-making tools, either instead of GDP, or next to GDP. Bhutan implementing the Gross National Happiness in 2008 is one of the few examples of a country which uses Beyond GDP instead of GDP (*The Constitution*, 2008; Ura, 2015). Instead, these Beyond GDP initiatives have been

implemented mostly at the local level, where well-being is used to guide policies on the local level.

This leads to the puzzle why Beyond GDP is more broadly used at the local level around the world, while most countries choose to stick to GDP as a policy-making tool. On the empirical level, it is puzzling that countries stick to the usage of GDP instead of Beyond GDP, even though Beyond GDP has apparent advantages. On the theoretical level, it is puzzling that the way Beyond GDP is spreading is unusual. The typical process of diffusion is that powerful actors, including transnational actors, come up with a new idea and this idea spreads to different countries (Rogers, 2003; Stone, 2012). Ultimately, this idea is then spread down from the national level to the local level. In this case, one would expect to see that international organizations, such as the European Union, and countries start with the move away from GDP to Beyond GDP, and only later on the provincial and local levels will start to implement similar changes.

However, with the concept of Beyond GDP, local levels have been at the forefront of this change, while countries are still reluctant and not implementing the concept of Beyond GDP. This atypical process of diffusion brings up the question why this specific idea arguably originated with less powerful actors and has skipped the national level for the most part, and instead has spread to the local level straight away.

Therefore, the research question of this paper will be "Why is the concept of Beyond GDP mostly implemented on the local level, and not on the national level?". This question ultimately will try to answer both the puzzles explained earlier: why countries still prefer to stick to GDP, and why the local level has chosen to implement the new idea of Beyond GDP without the usual process of norm diffusion backing them up.

This paper will start by reviewing current literature, and will continue by explaining what theories will be used to answer this research question. Afterwards, it will discuss the research design of this analysis. The focus will then shift to the empirical analysis and discussion of the results, and the paper will close off with a conclusion, including recommendations for future research.

Theoretical Framework

This theory section will consist of multiple parts. The first section will deal with GDP, Beyond GDP and what they both entail. The second section will talk about the overarching literature relevant for this paper, after which the third section will deal with literature and theories looking at the national level and its institutions. The fourth section will then deal with the local level and why Beyond GDP might be more effective at that level.

GDP and Beyond GDP

The first thing to clarify is what both GDP and Beyond GDP entail. Starting with GDP, mathematically speaking, GDP is the sum of consumption, investment and government spending and net exports (Lequiller & Blades, 2014). This means that GDP is focused purely on economic growth, and neglects aspects such as whether the growth is fair, green and improving the lives of people (Philipsen, 2015).

Mügge (2020) points to a critique on GDP, the fact that whenever statisticians make methodological choices to conceptualize terms such as inequality and economic growth, there are certain views and causes which politicize these concepts, intentionally or unintentionally. This point also applies to GDP and how it is measured. He continues that economic indicators are mostly based on white male wage labour in factories, all the while excluding other areas of economics (Mügge, 2020, p. 3). For example, DeRock (2021) states that GDP excludes unpaid household services, a sector which includes activities like childcare and cleaning. By not measuring certain areas, such as unpaid household services, GDP does not show the full picture of the economy of the certain country. Jerven (2013) states that the main problem of poor economies, according to GDP, is that a large size of their economies is unrecorded. This makes it unfair to compare economies and GDP of countries which are poor economies with a large size of unrecorded economies, and rich economies with a small size

of unrecorded economies. On top of this, there is also literature which argues that GDP is too narrow of a measurement tool to be effective and measure the well-being on societies (Stiglitz et al., 2009; Coyle, 2014).

In order to fix these critiques, there have been numerous attempts at moving away from GDP, as stated in the introduction. Beyond GDP itself was introduced as a term in 2007, by the European Commission at a convention. According to them, the Beyond GDP initiative is about creating indicators that not only measure the things GDP does, but also environmental and social aspects of society and its progress (European Commission, 2021). Beyond GDP is an alternative to GDP, which intends to incorporate these aspects. There is not one set of indicators for Beyond GDP, but it should be seen as a global policy direction which is flexible to be adjusted by actors themselves. However, the core, the inclusion of environmental and social indicators, of Beyond GDP stays the same. A prominent example of what Beyond GDP can look like, is Green GDP. Green GDP is an indicator which looks at the impact of economic growth on the environment, and takes that into account (Mutert, 2019). Green GDP started back in 1987, when the World Commission on Economy and Development (WCED) made a report, also called the Brundtland Report, about the future of the earth and its population (WCED, 1987).

The most known case of where Green GDP was implemented is the case of China. In 2004, China announced that Beyond GDP would replace GDP, and in 2006 this change was made (Kahn & Yardley, 2007). However, within a year the program was stopped. Official claims are that the science behind Beyond GDP was not solid enough yet, but experts pointed out that the results of Beyond GDP were so sobering and led to barely any economic growth, that China stopped the program (Kahn & Yardley, 2007; Buckley, 2007; Cary, 2011). This example shows that Beyond GDP might not be liked by governments at this point, due to the

focus of governments on economic growth, as well as the doubt whether Beyond GDP has sufficient solid theory as a background.

In sum, due to the critique on GDP over many years, there have been numerous attempts to address this critique. Beyond GDP is the most recent, and probably the most prominent, example of this. It takes the environment into account, as well as focusing on sustainability within economic growth.

Overarching literature

This paper will use the idea versus interest debate to answer the research question. This debate is a simplification of the debate between constructivism and rationalism. Constructivism focuses on the assumption that objects do not have fixed meanings, and that ideas of people actually matter (Wendt, 1999), which in turn is linked to the idea side of the debate. On the other side, the interest side of the debate is a simplification of several rationalist theories, which focus on the rational choices actors make in their self-interest (e.g. Downs, 1957).

This debate within the social sciences is whether behaviour is driven by interests or ideas. What is meant by this, is that current and past ideas of people can have an influence on decisions (Rodrik & Mukrand, 2018). According to constructivist literature, international organizations (IO) are not unitary actors, and their interests are not always aligned within the organizations, and remain the same over time (Barnett & Finnemore, 2004; Broad, 2006). Ideas of people in power, such as department heads, can also shape IO behaviour (Ban, 2014; Momani, 2007). In this case, GDP is ingrained in society so much that it is accepted as the best idea out there by these people. These ideas shape how people view the world, which could lead to altered perceptions of the process of proposing policies to outcome of policies (Rodrik & Mukand, 2018). The people believe strongly that GDP is the best there is, which

will make the move away from GDP harder. Some literature talks about cognitive paradigms in this debate, meaning that specific ideas are taken for granted for so long, that policies proposed to be alternatives to these ideas are disregarded easier (Block, 1990; Heilbroner & Milberg, 1997). For this paper, it would mean that any alternatives proposed to GDP are disregarded easier because the idea of GDP is taken for granted.

On the other side, there is interests which could shape the behaviour of people. In this case, the economic interests shape the decision-making process of politicians, and if the economic interests are large enough, then these will trump the ideas of politicians (Rodrik & Mukand, 2018; Korpi & Palme, 2003; Esping-Andersen, 1996). These interests might be that Beyond GDP will make governments force specific companies or industries to become more sustainable, in order to keep the Beyond GDP measurement high. This could lead to these companies and industries needing to spend more money to become sustainable. On the other hand, if a company or industry contributes a lot to the GDP of a country, it will have some influence on the policy-makers, through for example their political representatives. So, when these interests are positively or negatively affected by the move to Beyond GDP, then this will affect the move away from GDP. Hall et al. (2020) concluded that an important condition for new economic policy programs to be successfully implemented, that they must be politically viable. This means that they do not threaten key interest groups in society, since the support of these interest groups could make a great difference in the implementation of new policies.

Another factor which is important to note is the important of the so-called Politics of Numbers. Alonso and Starr (1987) first coined the term 'Politics of Numbers' in their book. This book argues that numbers are political, and that they are not objective. This means that whenever something in society is not measured, policy makers will ignore this part. This would also be the case for both GDP and Beyond GDP. GDP is easy to measure, and this

makes it easier to be measured regularly. This means that GDP is easy to use for policy-making, since there is enough data on it. GDP is used to rank countries and determine their "relative monetary weight and therefore their relative political weight in institutions such as IMF and the World Bank" (Jerven, 2013, pp 111-112). Beyond GDP is not yet a good substitute to rank countries and show their relative weight due to the data being hard to measure and mostly subjective. On the other hand, indicators beyond GDP such as happiness are hard to measure, and therefore they are being ignored. Linking this back to the Beyond GDP, the way to start the shift to Beyond GDP is to start measuring things like happiness, and finding easier ways to measure these indicators. Using this theory, the argument can be made that the move from GDP to Beyond GDP is difficult to make, if not impossible, since the degree of difficulty of measuring Beyond GDP indicators is a lot higher compared to GDP. This can be seen as one of the explanations why Beyond GDP is not as popular as GDP.

An additional idea related to Politics of Numbers is something called statistical capacity. Statistical capacity refers to the level of development countries have to be at in order to collect and analyze high-quality data about their population and economy (Jerven, 2013). Case studies have shown that some countries, especially African countries, have low statistical capacity which means they misstate the state of their population and economy (Jerven, 2013; Devarajan, 2013; Young, 2012). In order for countries to focus on well-being for their citizens, they need to have enough high-quality data on the needs of the population, besides focusing on satisfying the basic necessities of the population first. Only after this has been done, countries can actually focus on improving the well-being of their citizens. However, not all countries have the economic possibilities to have good statistical capacity, as well as satisfy the basic needs of the citizens in order to advance to the next stage and focus on well-being of citizens. The reason is that in order to focus on well-being, there needs

to be money spent on surveys which are quite costly, as well as more money in general spent on well-being. Thus, only countries which actually have a high statistical capacity and have the economic possibilities, can care more about the well-being of their citizens besides satisfying the basic needs.

National institutions

The first theory which can be useful to look at the national level is path-dependency theory. In his article published, Mahoney (2000) criticizes the vague definitions of path dependence, such as 'history matters', and comes up with his own version. He argues that in order to correctly identify path dependence, one should be able to trace it back to certain events, and that these events cannot be explained by prior events, and thus are a starting point. For GDP, this would be in 1934, when Kuznets developed the concept of GDP (Dickinson, 2019). It took ten years, after the Bretton Woods conference in 1944 to become the main tool for measuring economies of countries (Dickinson, 2019). Mahoney (2000, p. 510) continues by stating that there all path-dependent analyses should have at least three defining features. The first one is studying causal processes that are very reactive to events in the first years after the starting event. Secondly, the starting event should not be able to be explained by prior events. Thirdly, once these events have taken place, the process should remain in motion by itself. In short, the starting event is highlighted to be very important, and the progress after this event should not have been influenced by the outside. History itself matters a lot, and this history sometimes still influences the current society without the society knowing about them being heavily influenced by it. This is true for GDP, since ever since it was introduced in 1934, it has not been replaced, and it is now used all around the world.

The term path dependence has ever since been used in multiple disciplines, from economics to social sciences. Liebowitz and Margolis (1999) add to the path dependency theory that there are several types of path dependence. There is first-degree path dependence, which entails that there is persistence of prior conditions, but the path itself is not per se inefficient (Liebowitz & Margolis, 1999, p. 985). There is second-degree path dependence, which entails that there is persistence of prior conditions and that they lead to bad decisions, but the path itself is not inefficient Liebowitz & Margolis, 1999, p. 985). Lastly, there is the third-degree path dependence, which entails that persistence of prior conditions led to inefficient outcomes and switching to a different outcome would be highly beneficial, but transitioning is very impractical Liebowitz & Margolis, 1999, p. 985).

This paper will refer to the third-degree path dependence when talking about path dependence, since this is how the relationship between GDP and Beyond GDP can be explained the best. The expectations of this path-dependency would be that once something as important as GDP has been ingrained in so many policy areas in the current global order, that even though it might be inefficient in certain areas such as measuring the well-being of people, transitioning is very impractical and costly. GDP is used worldwide and has survived a long time already, that it has arguably earned its place in history for now. Also, since it has not been challenged a lot by other good alternatives, governments and important actors which use GDP in their decision-making process have been convinced of the importance of GDP. Therefore, countries are not willing to switch their policymaking tools from GDP to Beyond GDP, as it would take too much effort and time.

Blyth (1997) adds to this, arguing that institutions are more constraining political action rather than enabling action, meaning that institutions are more likely to stick to the current policies rather than changing policies. To explain change, one must look at the individuals, in this case the local level according to both rationalist and historicist views of institutions. For

this research, it would mean that institutions are more inclined to stick to GDP because they are more familiar with it. However, the local level is more open to the change to Beyond GDP, and therefore the change would start at the local level and move to the national level at a later stage. Schmidt (2008) would agree with this, as she mentions that institutions are 'overly sticky', meaning that they are constrained by set preferences and norms, and that they are resistant to change. Again, this would point towards the fact that governments are reluctant to move away from GDP due to the long history GDP has and its current importance in the world system. Therefore, governments are not likely to be the initiator of the move to Beyond GDP.

Demir and Aktan (2012) highlight the importance of the overall resistance to change, with a focus on the government. The overall resistance to change indicates that people tend to resist change and stay in their own habits, because this is the most comfortable. Demir and Aktan (2012) argue that this is the same for governments, that there are several factors which hinder the willingness to change some economic or political systems. If the individuals in power in the government do not see private net gains from changing a specific policy, then they are less likely to adopt it. In this case, if these powerful individuals do not receive private net gains from switching to GDP to Beyond GDP, then it will most likely not happen.

One of the factors mentioned by Demir and Aktan (2012) is that interest groups have an important role in changing public policies. Pirie (2015) also shows that interest groups have a lot of power due to their possible large number of the constituents, but also because interest groups have a lot of money and can use it either to benefit the policy-makers, or to trouble them. In a similar fashion, Weingart (1999) highlights the establishment and importance of the process of the government receiving scientific advice, making expert input is a norm nowadays, especially for policy-making. According to Adler & Haas (1992), epistemic communities can pay a meaningful role as a source for policy innovation too. An epistemic

community in short is a community of experts who persuade other people and actors of their shared causal beliefs through their professional knowledge of the specific topic (Cross, 2012). These epistemic communities help produce intellectual innovations, which in turn leads to policy innovations (Adler and Haas, 1992). An important aspect to note is that the policy ideas the epistemic communities come up with, are produced independently of the government. The idea of epistemic communities having influence on policy-making is not only used on the national level, but also on the international level. As such, the earlier mentioned critiques on and problems with GDP is something which could be resolved with the help of epistemic communities.

Connecting these theories to the hypothesis, these past studies have highlighted reasons why governments and powerful people might tend to not change the current ideas, but rather stick to them. On top of that, they have shown that it is most likely very costly for governments to implement big changes. Since the change from GDP to Beyond GDP would be considered a big change, the process of moving to Beyond GDP on the national level would take a lot of time and effort of the government.

Beyond GDP and local benefits

On top of this, Beyond GDP has received multiple critiques which point out that the indicators to measure Beyond GDP are hard to measure and are not always objective. Whitby (2014) points out that there are multiple problems with Beyond GDP, all which make economists and statisticians wary of replacing GDP with Beyond GDP. The first problem related to this paper is that there is a lack of democratic legitimacy in the way the Beyond GDP indicators have been conceptualized (Whitby, 2014, p. 28). Compared to GDP indicators, which arguably has legitimacy, Beyond GDP indicators have not been agreed upon democratically, giving it less legitimacy. The second problem is that there are data

problems, that because Beyond GDP is new, that there needs to be a lot of research into the separate indicators (Whitby, 2014, p. 29). This new research costs a lot of resources, as well as there is just not enough data sometimes to measure indicators adequately.

The third problem is that some of the indicators are rather confusing conceptually, with potential overlap in the way these indicators are measured (Whitby, 2014, pp. 29-30). This confusion will lead to people not trusting in Beyond GDP enough because they are too confused by it. The last problem mentioned in this paper is that Beyond GDP is a broad concept and that there is no single indicator which can be put forward as easily as GDP. GDP ultimately consists of one number, which tells you all you need to know about GDP. Even though Beyond GDP is not defined the same throughout the world, most definitions of Beyond GDP consist of multiple indicators. The comparability of Beyond GDP is therefore lower than for GDP, and this might lead to different definitions of Beyond GDP in different parts of the world. Thus, using Beyond GDP as a policy tool on the national level is problematic, while using GDP as a policy tool is easy.

When looking around the world, one can observe that Beyond GDP is more common at the local level, compared to the national level. On the national level, the aforementioned problems such as robustness and quality, but also comparability, make it hard to have effective policies focused on well-being. GDP is measured the same all around the world, and is used in the same way. This makes it a good tool in the current world system to base national and international policies on. Beyond GDP lacks in this area, due to the arguably subjective ways it is being measured. On the local level, the wellbeing policies do not have to adhere to similar characteristics since local actors are a lot of the time free to set out their own policies and concepts when it comes to measuring and implementing new ideas. The policies of Beyond GDP can be better applied at the local level, because the local level is a better fit for the indicators used by Beyond GDP. Whitby (2014) comes to a similar

conclusion in her report about Beyond GDP, stating that the best results were achieved by local level initiatives because "the distance between producer and user of the indicators is much smaller, making it easier to achieve a better 'fit'" (p. 4). This is an indication that Beyond GDP is more easily implemented at the local level, compared to the national level.

Research Design

<u>Case selection</u>

In terms of case selection, the research will be a single-case study. The reason to choose only a single case is because this paper aims to test existing theories, it is beneficial to analyze only one case. Having only one case for the analysis gives the opportunity to have a more detailed analysis and, if necessary, modify these existing theories.

The case chosen is the United States (US), since it has the statistical capacity to focus on well-being, as well as there is a big network of well-being initiatives at the local level already, called the Gross National Happiness United States of America (GNHUSA). Since the United States is also a decentralized country, most policies are already delegated to the federal and local level.

For the local level, the case to be examined is Seattle. The sustainability project of the organization which is the frontrunner of the wellbeing initiative in Seattle, called Sustainable Seattle, is claimed to have influenced over 90 out of 170 sustainability projects in the US, according to the public policy think tank Redefining Progress (Redefining Progress et al., 1997). This makes the case ideal since it was one of the first cities in the United States to have included the well-being of people for policy-making decisions, and it has influenced many projects all over the United States.

<u>Method</u>

The method which will be used to conduct this research will be qualitative process tracing. The research will analyze what can explain the implementation of Beyond GDP on the local level, but not on the national level.

The evidence that this is the case, is that the implementation of Beyond GDP has not happened yet, besides some unique cases such as Bhutan with their GNH (Balasubramanian & Cashin, 2019; Centre for Bhutan Studies & GNH Research, 2019). However, there is plenty of evidence that there are local initiatives focusing on well-being and using other indicators besides the economy to measure this wellbeing (Hayden & Wilson, 2018; OECD, 2014; Smale, 2019; Steuer, 2008).

This paper will be focused on theory-testing process tracing. As Collier (2011) shows, process tracing is about looking for descriptive and/or causal inferences. The way to do this, is to use the causal inference tests, and if possible, make a timeline. These causal inference tests are used to find out whether certain conditions are necessary to affirm the causal inference, and whether certain conditions are sufficient for affirming causal inference (Collier, 2011; INTRAC, 2017). Step one of process tracing would be to identify that countries indeed barely, if at all, adopt Beyond GDP at the national level. The next step would be to identify why the local level has indeed adopted Beyond GDP more broadly. Identifying why the local level has followed a process to adopt Beyond GDP and the national level did not, is the main goal of this paper.

<u>Hypotheses</u>

After considering the current literature on this topic, and the main research question, the main research will be divided into two sub-questions. The first sub-question is: "Why did the move away from GDP to Beyond GDP not happen at the national level?". Related to this sub-question are the two hypotheses which relate to the national aspect of the main research question. The corresponding hypotheses are:

- *H1: The move away from GDP to Beyond GDP did not happen at the national level due to the influence of ideas on policy-making and institutional change.*

- *H2: The move away from GDP to Beyond GDP did not happen at the national level due to the influence of interests on policy-making and institutional change.*

Moving to the local aspect of the main research question leads to the second sub-question, which is: "Why did the move away from GDP to Beyond GDP happen at the local level?". The previously mentioned hypotheses are adapted to fit this sub-question. This means that the hypotheses for this sub-question are:

- *H3: The move away from GDP to Beyond GDP did happen at the local level due to the influence of ideas on policy-making and institutional change.*

- *H4: The move away from GDP to Beyond GDP did happen at the local level due to the influence of interests on policy-making and institutional change.*

All in all, both hypotheses for each sub-question deal with the ideas versus interests debate mentioned in the literature review. This paper will answer each sub-question by looking whether ideas and/or interests, played a role in the GDP versus Beyond GDP implementation debate.

The first sub-question talks about GDP and Beyond GDP. GDP entails the Gross Domestic Product, which is the market value of all goods and services produced by the country, and is used as a policy-making tool since it describes the economy of the country. Beyond GDP entails all the initiatives to replace GDP with a policy-making tool which not only looks at the economy of the country, but also at the well-being of the citizens. The first step for the operationalization of this sub-question is to show that on the national level, the United States has not made the switch to Beyond GDP yet.

To confirm the idea hypotheses, the analysis should find that policymakers and statisticians state in their statements and papers that they prefer to stick to GDP, and rather not change to Beyond GDP. The reason why they could prefer to stick to GDP is because it is easier to find data to calculate the GDP since it is already widely used. The move away from GDP would cause a lot of problems since it would mean the decisions which are currently based on GDP, have to be adjusted to fit to Beyond GDP. Also, since GDP has been undisputed so far, policy-makers would prefer it because they believe it is the best policy tool out there. To confirm the interest hypothesis, the analysis should find that the interests of powerful actors influenced the decision making regarding Beyond GDP. These interests might be that it will cost certain industries, such as the fossil industry, more money to focus on sustainability. Another interest might be that powerful actors which have a big influence on the GDP of the United States now have a big influence on decisions, and this influence might diminish once the switch is made to Beyond GDP.

The second sub-question focuses on the local level, and analyze why the local level decided to move away from GDP to Beyond GDP initiatives. The first step is to show that the local level indeed moved away from GDP, and explain the reasoning behind this according to the hypotheses. To confirm the idea hypothesis, the analysis should find that the idea of

Beyond GDP was appealing to the local level, and that GDP was not ingrained enough that the local actors faced the cognitive paradigm problem. This could be shown by finding evidence that local policy-makers were not satisfied with the idea of GDP, and were satisfied with the idea of Beyond GDP. If the analysis finds positive feedback on Beyond GDP, then this could show that ideas played a role in the adoption of Beyond GDP initiatives. To confirm the interest hypothesis, the analysis should find that interest groups or powerful local actors played an important role in the adoption of Beyond GDP on the local level. If the analysis finds that key interest groups, or other interests, such as interests by policy-makers, talk positively about the Beyond GDP initiative and it would benefit them, then this could show that interests played an important role in the adoption of Beyond GDP on the local level.

Data sources

The data sources which were analyzed include a big variety of documents. The biggest part of the analysis is based on policy and working papers from institutions and the government itself. Besides that, papers published by the epistemic community were analyzed. The last sort of documents this paper will were analyzed, were papers published by think tank such as the National Bureau of Economic Research (NBER) and the Centre for Economic Policy Research. These think tanks focus on economic research and policies, and their papers could indicate the importance of GDP, and alternatives to GDP. At the local level, this paper analyzed reports and surveys of municipalities and individual cities, which are focused on the well-being of their citizens. Besides this, reports and data on wellbeing initiatives were also taken into account.

Results and Discussion

This section will discuss the results of the empirical analysis. It will start by looking at the first sub-question, dealing with the national level, and its hypotheses. It continues by moving to the second sub-question, dealing with the local level, and its hypotheses. As the previous section mentioned, these questions are tested for the case study of the United States on the national level, and the city of Seattle on the local level.

National level

"Why did the move away from GDP to Beyond GDP not happen at the national level?"

The first thing which needs to be examined in order to answer this question in a correct manner is to figure out who is responsible for the economic decision-making in the United States. The most important agency which provides official macroeconomics and industry statistics, which includes GDP, is the Bureau of Economic Analysis (BEA). Since the Presidents only have a certain term, plus the fact that the President bases its decisions on the statistics provided by the BEA, the empirical analysis focused on the opinion and paperwork provided by the BEA. The former president of the BEA, Steven Landefeld, published an article in 2020 which looks at the future plans of the BEA and its focus on GDP. The article highlights the need to move beyond GDP, and outlines the initiative taken by the BEA to adapt to the public need of moving beyond GDP.

However, within this article, the authors also explain why the move away from GDP is problematic and why the switch was not made yet (Landefeld et al., 2020). One of the biggest problems pointed out with the move away from GDP is the subjective measurement of certain indicators. In the article, Landefeld et al. (2020) also mention that subjective measures of well-being also differ per nation, which makes it hard to compare cross-country. On top of this, "subjective well-being measures do not fit into the framework of the national accounts"

(Landefeld et al., 2020, p. 11). As the BEA's economic accounts are grounded in economic theory and provide data which make cross-country comparisons doable due to the objective data, this is seen as their biggest strength. When moving away from using purely objective data, and since measures of well-being also vary per country, this strength would be neglected when moving away from GDP. This can be seen as a pointer that the idea hypothesis might be able to explain the reluctance of the US government to move away from GDP so far. This can be confirmed by an earlier working paper published by Landefeld & Villones (2009), in which they state that critics fear that the inclusion of subjective values in the measurement of GDP diminish the essential role of national accounts.

At the 2020 Annual Meeting of the American Economic Society, Sheiner (2020) and Deaton (2020) both point out that there are still difficulties concerning what to measure when moving beyond GDP. In their papers, they highlight the difficulty of including health in Beyond GDP, and the difficulty of what to use as an indicator for health. Besides this, Sichel (2020) underlines that another challenge is that measuring specific indicators, such as social welfare, can be measured in multiple and different ways, that this can cause confusion. These different ways in measuring an indicator might vary per city, state or even country, which makes it difficult to compare these indicators. Even though these papers do not mention that this reasoning was also used in the past to not move beyond GDP, it shows that the idea of moving beyond GDP is problematic in certain areas, depending on the indicator. Also, despite these papers not expressing views of the BEA itself, the authors present at the Annual Meeting of the American Economic System can be seen as a part of the epistemic community.

Taken the views of the BEA and the views of these authors together, the main problems in the past and the future are that there are still doubts as to how to measure specific Beyond GDP indicators, as well as the fear of subjective data measuring. The objectivity of the data

currently published by the BEA is praised, and with the inclusion of subjective measures of indicators, this objectivity will disappear.

Therefore, based on the empirical analysis, the first hypothesis is confirmed. Ideas of the prominent actors in the economic sector, within the government itself but also within the epistemic community, in the United States do matter.

Moving to the second hypothesis, the role of interests is also examined. This hypothesis focuses on the role of interests by powerful actors within the United States and its government. An example of a powerful actor playing a role in the GDP versus Beyond GDP debate is the coal industry in the 1990s. In 1995, the Bureau of Economic Analysis was researching alternatives to GDP (Stiglitz, 2008). However, the move away from GDP to Green GDP would not be good for some powerful actors, in this case the coal industry. Therefore, the coal industry, using a US Senator of their state, threatened to pass a vote to stop funding for the BEA to research alternatives to GDP (Stiglitz, 2008; Wagner, 2001). In the end, the BEA decided to not research alternatives to Beyond GDP due to potential loss of funding. This is a sign that powerful actors, with or without the use of government officials, can play a role in the policy decision-making process, and therefore interests playing a role in this too.

A similar conclusion was reached in an article published by Hoekstra in 2019, in which he states that one of the reasons that Beyond GDP is not successful yet is because the macroeconomic community is at this moment more powerful than the well-being and sustainability community. It points to the fact that the macroeconomic community at this point has more resources and power to keep the focus on GDP, and resist the change to Beyond GDP. Another example which shows that interests play a role in the GDP versus other measures is the GDP versus GNP (Gross National Product) debate in the 1990s. Stiglitz

(2008) mentions that there is a big difference between GDP and GNP. This move was a move based on US interests, as GDP favoured the US at that time since privatization meant that economic activity in a foreign country was also taken into account. This led to the US boosting their GDP a lot, due to extensive economic activity in foreign countries. If the US would have stuck to using GNP, then this boost would not have been this big, or not even exist at all.

These examples showcase that the United States does base economic policies on interests of their own government and of powerful actors within the country. However, while certain interest groups have certain preferences, they cannot effectively influence the decisions of governments. The reason for this is because the decision-makers regarding GDP measurement are mainly experts and statisticians, and not the central government. Thus, the support for the interests hypothesis is weak, disconfirming this hypothesis.

The results of the empirical analysis can be explained by multiple theories. Firstly, the politics of number theory highlights that governments still prefer objective and easy to measure indicators. While this is the case for GDP, it is not the case for Beyond GDP. Therefore, the politics of number theory played a role on the national level. Secondly, since GDP is so embedded in the national and world economy, as well as the national account of the US, there is a resistance to change. Institutions do not like change and rather stick to current policies, which explains why institutions still prefer GDP. On top of that, the past decisions of institutions, and the importance of GDP ever since the introduction, lead to the fact that it is hard for institutions to move away. This explains why institutions prefer to keep on using GDP instead of making the switch to Beyond GDP on the national level. Thus, both the idea and interest hypothesis can be explained by these theories.

<u>Local level</u>

"Why did the move away from GDP to Beyond GDP happen at the local level?"

The empirical analysis of the local level focused on the city of Seattle, Washington. It all started in 1991, when the grass roots movement called Sustainable Seattle was created. This movements made several sustainable indicators over time, until the breakthrough happened with "The Happiness Alliance" in 2011. This set of indicators was inspired by Bhutan and its move to Gross National Happiness (GNH), and a shortened version of GNH used in Victoria, British Columbia as a survey about happiness. This survey and its results were presented to the Seattle City Council in 2010. A year later, there was a GoGreen Conference in Seattle, which was a "sustainability learning experience for business and public sector decision-makers" (Social Enterprises, 2011).

Both of these events can be said to have influenced the breakthrough of "The Happiness Alliance" in 2011. In the same year, the Seattle city council officially recognized this initiative and said to take into consideration the survey results and objective data for policy decisions (The Happiness Alliance, 2014). Since the city councils are the ones which decide about the local policies, and especially the president of the city council, this means that on the local level, there was more focus on well-being after the Happiness Alliance.

The question remains what led to the implementation of well-being initiatives guiding policy decisions, instead of only looking at economic factors such as GDP. Overall, the analysis found support for the idea hypothesis. The people in charge, in this case the Seattle city council, believed in the incorporation of well-being into policy decisions. Specifically, the president of the Seattle city council, Richard Conlin, was focused on environment and sustainability throughout his terms as president of the city council (Conlin, 2021). The was serving terms as president of the city council between 2008 and 2011, which can be seen as the starting date of the incorporation of well-being into policy decisions (Frantilla, 2021). The

previous presidents of the city council were not focused on sustainability, which could explain why well-being was not taken into account for policy decisions before this date. On top of that, Richard Conlin also spoke at the GoGreen Conference in 2011, which confirms his attention to environment and sustainability. Therefore, there is enough evidence to confirm the third hypothesis, that ideas played a role on the local level for the move away from GDP to Beyond GDP.

Regarding the interest hypothesis, there was not much evidence to support this hypothesis. As previously mentioned, Richard Conlin played an important role in the adoption of the Happiness Alliance in Seattle. One thing to note here is that he is one of the co-founders of Sustainable Seattle, which created the Happiness Alliance. He would therefore benefit himself from adopting the survey results from the Happiness Alliance, as it would give him a better name as co-founder of Sustainable Seattle. Besides this, there was no evidence that interests played a role in the move away from GDP to Beyond GDP. Therefore, there is a lack of support for the fourth hypothesis, meaning it is disconfirmed.

To sum up, ideas played an important role on both the national and the local level. On the national level, the ideas of policy makers and the epistemic community matter, since these ideas guide the policy making. In this case, the BEA pointed out that the adoption of Beyond GDP is problematic due to the subjectivity of indicators, as well as the lack of comparability across nations. On the local level, the ideas of the local government matter since they decide whether they take well-being into account. In this case, the president of the Seattle city council played an important role in the implementation of well-being into policy making, mostly because of his ideas and beliefs regarding sustainability and environment. Consequently, both hypothesis one and three can be confirmed after the empirical analysis.

Interests played a mixed role overall, being more influential on the national level than on the local level. As shown above, interests played an unconfirmed role in halting the move from GDP to Beyond GDP on the national level. On the local level, there was no convincing evidence that interests played a role in the move from Beyond GDP to GDP. Therefore, hypothesis two has some weak support but not enough to be fully confirmed, while hypothesis four has no support at all, and therefore it is disconfirmed.

The results of this empirical analysis can be explained by the influence of ideas on policy-making. For Seattle, the influence of ideas by the city council, more specifically the president of the city council, led to good circumstances to focus on well-being in policies. That, together with the previous positive results of well-being policies in other areas explains why Seattle did make the switch from GDP to Beyond GDP in policy making. The ideas of powerful actors on the local level mattered, and it is likely that these powerful actors came to a similar conclusion as Whitby (2014), that the best results of Beyond GDP are achieved by local level initiatives because the well-being initiatives are a better fit at the local level.

Conclusion

This paper aimed to identify why the concept of Beyond GDP is mostly implemented on the local level and not on the national level. It did so by looking at the idea versus interest debate, to see whether ideas and/or interests played a role.

Based on the qualitative analysis of reports, working papers and archives of the United States and the city of Seattle, the analysis found that ideas of experts, statisticians and local government officials played a more important role in the implementation on the national and local level than the interests of powerful actors. This conclusion highlights the importance of statisticians, while showing the lack of influence of truly powerful actors within the US, such as members of Congress or the Executive Branch. Ideas played an important role on both the national and local level, while interests played a weak role on only the national level. Yet, even on the national level, ideas were more important than interests. Hence, the final conclusion is that the main reason the move from GDP to Beyond GDP did not happen at the national level, but did happen at the local level, is because the ideas of the experts and statisticians were very influential in this decision-making process.

Consequently, looking back at the atypical process of diffusion discussed in the introduction, one can conclude that ideas have the power to change the normal diffusion process. The influence of ideas of local actors can change the normal norm diffusion process, so that Beyond GDP skips the national level. Meanwhile, countries still prefer to stick to GDP because its main advantages, the objectivity of the data, as well as the comparability, still trump the advantages of Beyond GDP, those being the measurement of well-being of the population.

However, there are some limitations of this research which need to be highlighted. First of all, there is a lack of transparency and recording of data for the interest hypotheses. It is always hard to find convincing data that powerful actors used their power to influence

decision-making in order to promote their interests. This meant that for this research, none of the interest hypotheses had the chance to be fully confirmed, even if some evidence was to be found. Secondly, another limitation is the lack of data found on the decision-making process on the national level for the United States. Despite this problem being inherent to research trying to explain something not happening, there is not a lot of data and explanation as to why the United States decided not to focus on Beyond GDP in the past.

The third limitation of this research is that the findings of this paper are hard to generalize. This paper focused on the case study of the United States, which is a country where the executive, in their case the President, has a lot of power on deciding what policies and decisions to implement. Once there is a new President, there might be a whole new direction for policy-making. It is unclear whether which person is the President of the United States had an influence on decision-making regarding GDP and Beyond GDP. This is not the case in countries where the executive holds less power, and therefore the situation for the United States cannot be compared to the situations of other countries. This is also linked to a recommendation for future research.

Future research should analyze the impact of the President on the potential move away from GDP to Beyond GDP. If the results of this research are that Presidents have a significant impact on this, then it is interesting to see whether the ideas of policy makers within the BEA and the epistemic community still matter. Besides this, future research should analyze why countries which decided to implement Beyond GDP on the national level, made the switch. This paper has found that statisticians in the US still have doubts on Beyond GDP, so it is curious why other statisticians do not have these doubts.

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