

## Beyond gross domestic product for New Zealand's wellbeing budget



How a country chooses to measure economic wellbeing affects how priorities are set and how resources are allocated. Gross domestic product (GDP), a measure of a country's entire economic output, is used as a near-universal measure of economic wellbeing. However, GDP does not reflect issues that citizens value, such as inequalities, housing, education, employment, the environment, and income security.<sup>1</sup> These issues receive varying attention in public policy and are inextricably linked to social determinants of health.<sup>2</sup>

This contradiction is particularly apparent in the USA: a wealthy country where income inequality has continued to grow since the 1970s<sup>3</sup> and an estimated 550 000 people are homeless.<sup>4</sup> Additionally, nearly 2.2 million adults were held in US prisons and jails at the end of 2016,<sup>5</sup> which is more than the population of major cities such as Philadelphia or Dallas. There are also substantial differences in life expectancy associated with segregation, such as in Chicago, where neighbourhood life expectancies range between 60 years and 90 years. If the USA chooses to prioritise measures of economic wellbeing such as GDP above anything else, it is possible that the social determinants of health will continue to be left behind.

Against this background, New Zealand made headlines across the world by producing a so-called world-first wellbeing budget.<sup>6,7</sup> The budget has multiple priorities, including tackling mental health, improving child wellbeing, supporting marginalised populations, fostering an environmentally sustainable economy, and improving employment. Priorities have been backed with major funding commitments, with approximately NZ\$26 billion earmarked for wellbeing activities over the next 4 years. It is noteworthy that only a minor degree of funding has been raised through reprioritisation from pre-existing areas, accounting for approximately 1.1 billion over the same time period. New Zealand intends to measure the success of this new budget using the Treasury's Living Standards Framework, which includes indicators across a series of domains, such as health, environment, cultural identity, social connections, and subjective wellbeing. This framework emphasises looking after intergenerational wellbeing by treating the natural environment, social institutions

and culture, population health, human knowledge and skills, and physical infrastructure and material living conditions as capital that requires long-term investments to build resilience.

However, despite the media attention that the wellbeing budget has received, this concept is far from novel. Over a decade ago, the former President of France, Nicholas Sarkozy, launched the Commission on the Measurement of Economic Performance and Social Progress<sup>1</sup> in response to dissatisfaction regarding statistical information about the economy and society. The commission concluded that measures of economic wellbeing need to better represent individual circumstances and recommended a dashboard approach to measure economic wellbeing, including multiple indicators from several categories such as health, education, environment, employment, and social connectedness.

International agencies such as the Organisation for Economic Co-operation and Development and the European Union (EU) built on this work and now collate both objective and subjective data across countries to measure national wellbeing. Alongside international efforts, a growing number of countries already measure national wellbeing.<sup>8</sup> The UK was one of the first countries to do so, with the Measuring National Wellbeing Programme established as early as 2010. However, unlike some countries that solely report wellbeing indicators, New Zealand has made an explicit commitment to measure the success of its budget and structure budget allocations according to its' national wellbeing indicators.

Nevertheless, even in New Zealand there is no guarantee that national wellbeing will remain on the political agenda. To mitigate against changing political objectives some countries, such as France and Wales, have introduced legislation that includes the statutory requirement to report to Parliament regularly on the state of national wellbeing to inform policy.<sup>9,10</sup> While the New Zealand budget is a potentially useful lever, without measures to enforce public accountability, it could become another parliamentary process with policy-makers not taking meaningful actions.

For more on **Measuring National Wellbeing Programme** <https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/measuresofnationalwellbeingdashboard/2018-09-26>

For more on **Treasury's Living Standards Framework** see <https://treasury.govt.nz/information-and-services/nz-economy/living-standards/our-living-standards-framework>

New Zealand has combined wellbeing measurement with a novel approach to budget allocation and priority setting. On the contrary, in the USA and many other G20 countries that focus on conventional measures of economic wellbeing, such as GDP, the social determinants of health and wellbeing are not prioritised. This observation is one possible explanation for the USA's poor performance in terms of life expectancy. With the UK set to undertake a 3 year spending review once Brexit negotiations are complete, many see this time as an opportunity to begin to implement the wellbeing approach in structuring future budgets.<sup>11</sup> If encouraging results develop in New Zealand that demonstrate the benefits of such an approach, more countries might begin to use measures of economic wellbeing beyond GDP when making budget allocation decisions. However, it is important that the effectiveness of New Zealand's budget approach is only judged while taking a long-term perspective as, like many public health interventions, it will take many years for benefits to be fully realised.

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We declare no competing interests.

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