

MEASURE FOR | Pre-publication external review MEASURE

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About the report

Written by Andrew Harrop and Robert Tinker, 'Measure for Measure: Economic indicators for a fair and prosperous society' was published in March 2014. The report sets out proposals for 20 alternative measures of economic progress that most reflect the direction needed to achieve fairness, sustainability and long-term prosperity.

Rather than the three most commonly used economic measures - GDP, inflation and employment - the proposed overall headline measure of British economic success is rising prosperity for typical families, measured by real median incomes. The full report is available to read here: <http://www.fabians.org.uk/publications/measure-for-measure/>

The report was subject to a pre-publication external review by stakeholders. This document provides a summary of key comments.

KEY COMMENTS

There was broad support for the approach the project took and the general direction of the indicators. A wide range of feedback was used to make revisions to the final report. In light of the comments we also added one additional indicator on the gap between exports and inputs.

Balance between 'new' and traditional indicators

Reviewers discussed how the new indicators we proposed should be balanced with the three 'traditional' measures of GDP, inflation and unemployment. Some questioned their exclusion from our proposed indicators.

It was our decision to exclude these three measures from the main content of the report, not least because their political significance can obscure a broader assessment of economic good health. However, we do not think that in the near future economic policy making can be conducted without any reference to GDP, inflation or unemployment.

Definition of fairness

Another strand of commentary picked up on the definition of fairness implicit in the report's choice of indicators. A core tenet of the report's argument holds that to achieve fairness and prosperity in any future growth, politicians should seek to prevent inequality between the top and the middle rising, while maintaining the previous government's record on the gap between the bottom and the median.

Some argued that the gap between median and the very top mattered less for public policy than factors which prevent social mobility (a position broadly in line with the views of new Labour and the present government).

The degree of mobility in the income distribution is of course an important focus for an account of fairness and prosperity in economic growth. However, we excluded public services and social policy from the remit of our inquiry meaning that many of the issues involved were beyond the scope of the project.

Wellbeing

Some commentators argued for greater engagement with accounts of citizenship or the 'good life'. A number of philosophical traditions could be drawn on to anchor the goals outlined in the report more closely to people's lives. One advanced in the external commentary was the capabilities framework developed by Sen and Nussbaum.

Sectoral balance and finance

Some commentators questioned our decision to exclude goals for sectoral and regional 'balance' – or were at least surprised by the omission.

Others mentioned the lack of indicators of financial services stability and this is an important challenge. It was suggested that the indicators in this report would only have detected pre-2008 'irrational exuberance' or financial market turbulence indirectly. Future policy makers will need to pay closer attention to the warning signs that the crisis uncovered, such as the degree of leverage in the banking system.

Potential trade-offs

We were asked about the tensions and trade-offs that might arise from pursuing the different goals in parallel. We note in the report that some degree of trade-off exists between growth in labour productivity and employment. The last few years have also illustrated the trade-off between maintaining higher employment levels and higher involuntary part-time work.

Commentators also questioned whether our package of indicators implied we supported reduced growth for the sake of greater equality. Our response is 'growth of what'? We argue that the objective for policy makers should be to maximise long-term growth in household incomes, which implies rising economic output and a fairer distribution.

Whether or not a trade-off exists between greater levels of equality and the need for rapid economic growth in the future is a matter of continued debate. Traditionally, some degree of trade-off is thought to exist between efficiency and equity. However, there is increasing evidence that the level of inequality as obtained across much of the developed world today may be harmful to stable growth.

Using the indicators

Some of the feedback on the report accepted our proposed indicators as goals but called for more analysis of whether and how they could be achieved. Some questioned how far the goals outlined in the report could be delivered with the UK's current political economy. Commentators noted that a credible strategy for making progress on our goals should recognise the inevitable role of the state in making change of this scale possible.

Others remarked on the tendency of governments to develop closed minds and hubristic views about the performance of the economy. They called for institutional mechanisms that would force ministers to attend to all the indicators, even those which might cause them discomfort.

As this report is an initial statement of a desirable direction of travel for the economy we do make recommendations on the institutional machinery needed to keep minds focused on the long-term economic health of the economy. However, the final report of the Fabian Society's Commission on Future Spending Choices did make recommendations about innovations in the architecture of government which would help mitigate incentives to think short term.