Towards A Broader View of National Performance

BCG’s contribution on the Beyond GDP, Towards Well-Being topic
Answering Tomorrow’s Questions Today

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There’s a fundamental societal shift underway—and many governments are missing it. Across a range of markets, consumers increasingly judge product performance by the experience it generates as part of a broader ecosystem. In response, forward-looking companies have adopted approaches such as “design thinking” which goes beyond the focus on a single product or service and places the overall customer experience at the center of corporate strategy and innovation choices. National decision makers and government leaders, however, are still mainly relying on the product equivalent to assess policy performance, failing to consider the equivalent of consumer experience—the well-being of citizens.

The growth of Gross Domestic Product is indeed the most common national performance metric—used by governments and widely tracked by international organizations and the media. But GDP is a narrow measure that focuses on economic factors, shedding little light on critical societal outcomes such as education, health and the distribution of wealth. Progress to address its well-known flaws has been glacial and should be accelerated. But improvements under consideration will not address a core limitation of GDP—the fact that it captures economic output but not the day to day experience and life of citizens. GDP needs to be complemented with other measures and share the limelight with them.

We propose a new approach, one in which government policy is guided at a high level by a three-fold view of national performance: first, economic value generation; second, individual perceptions of well-being and third, national outcomes (averages and distributions) and characteristics that affect well-being. These three measures—essentially economic performance, subjective well-being and objective well-being—are impacted by a number of common factors. But they remain distinctly different and, when assessed separately, can yield valuable complementary insights.

This proposal draws from our experience working with country and regional leaders on national strategies and from the work on the objective measure of well-being used in The Boston Consulting group’s Sustainable Economic Development Assessment (SEDA). SEDA is a fact-based diagnostic tool to assess the relative well-being of countries based on ten dimensions including governance, health and education.

Policy-making informed by a three-fold view that includes well-being will be improved. Win-win policies will likely receive more attention while policies that serve only narrow economic objectives will be sidelined or given low priority.
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Economic value generation is central to progress. After all, without a growing economy it is hard for government to improve the welfare of many segments of society. That is why Gross Domestic Product remains the most widely used measure of national progress. GDP, with its focus on value added, has proven useful as an accounting framework for economic activity and a link between microeconomic and macroeconomic lenses. It is well-established and well-understood, providing a commonly accepted set of metrics to track progress across time and to make comparisons across countries. As a result, GDP should remain a central area of focus for policy makers and national leaders.

However, as the measure of national performance, GDP has significant limitations. These issues, which have been explored by researchers, policy analysts and other experts, include: what is counted; how things are measured; and the focus on averages versus distributions. An example of the first issue is the exclusion from GDP of non-remunerated work—at home or outside when volunteering. (Volunteer labor, incidentally, is on the rise in many parts of the world as the length of active post-retirement life grows). Examples of the second issue revolve around the growth of the intangible part of the economy and the complexity of transactions around supply chains. And a significant effect is on the important topic of productivity which, as Diane Coyle has argued, gets mismeasured and its growth likely to be underestimated because of the way GDP defines economic output.¹

Finally, on the third issue, a significant implication comes from the common practice of assessing country GDP performance in per capita terms which, being an average, means that it ignores the growing concerns over inequality—even as the gaps between average and median per capita income widen and, in many countries, are made worse by the fact that per capita GDP growth overestimates the increase in household disposable income.

Variations on the theme of GDP have enriched the set of metrics derived from it and addressed some of its innate constraints. Real and PPP-adjusted GDP are most noteworthy. Real GDP growth, focusing on output rather than value, is the most commonly used yardstick for measuring economic progress. Case in point: the IMF’s World Economic Outlook releases generate a myriad headlines revolving around even minute changes in GDP forecasts. The Purchasing Power Parity adjustments to nominal GDP provide a more nuanced cross-country comparability than purely market exchange-based GDP and generate valuable cross-country comparisons as well as exciting prospective views of the world economy.

Clearly there is much room for improvement in how GDP is constructed and measured to better represent economic output in today’s world. Many worthy proposals have been

¹ https://www.ft.com/content/399ba61a-9fa9-11e8-b196-da9d6c239ca8 and “GDP: A brief but Affectionate History”
Other recent contributions include D. Pilling’s “The Growth Delusion”, L. Fioramonti’s “The World after GDP” and D. Philipsen’s “The Little Big Number”. The Indigo prize (http://global-perspectives.org.uk/indigo-prize/) has also stimulated thought in that regard.
put forward for doing that – including those presented at a recent IMF conference focusing on the uncounted value of digital innovations².

But even if most of its flaws were fixed, GDP would still be inadequate to meet the requirements for far-sighted policy making. In recognition of this issue, and in addition to more technical efforts to improve GDP, “Beyond GDP” indicators have been the focus of a number of other efforts, including a number of OECD activities and the EU’s Beyond GDP initiative launched at a conference in 2007 that informed a resolution by the European Parliament in 2011. Focusing on asset depletion and on global targets is also a way to expand the policy focus beyond economic measures. (See Box on Sustainability)

The recommendations of the 2009 Commission on the Measurement of Economic Performance and Social Progress, led by economists Stiglitz, Sen and Fitoussi were an important milestone. The recently published report on the Measurement of Economic Performance and Social Progress has built on that to propose: a dashboard of indicators to assess a country’s health and people’s conditions; evaluate progress made in developing metrics going beyond GDP; and a set of recommendations to further develop such metrics and use them in policy making.³

Work on two additional avenues is important to complement purely economic metrics such as GDP. They involve quite a different set of issues that this paper has not addressed but that are receiving attention elsewhere—and deserve even more. They involve the role of assets and of target-setting (most notable through the Sustainable Development Goals); both have great relevance for many of the policy debates taking place at national and global levels.

**Balance sheet approach**

GDP is essentially a flow measure and as such needs to be complemented also by a stock-type or balance sheet measure—not least because of the inter-generational equity implications. As Nobel Laureate Michael Spence has noted *Often our thinking is centered only on flows and we need to complement that with a balance sheet approach—and ensure that shortfalls in investment do not deplete our asset base. The danger in focusing only on flows is that unsustainable growth patterns generally do not break down immediately. Unless one is paying attention to the deterioration in the balance sheet, things may seem fine—even stellar in the short run.*

In traditional balance sheet style, it is worth thinking through issues revolving around both assets and liabilities and how they affect sustainability:

• Asset issues include notably the impact of economic growth on the stock of natural resources and the pressure it can exert on the environment. We see this reflected in SEDA scores: environment is the only SEDA dimension that is negatively (and strongly) correlated with economic growth. An ambitious approach focusing on access to six key assets (physical assets, natural capital, human capital, intellectual property, social and institutional capital, and net financial capital) has been proposed recently by D. Coyle and B. Mitra-Kahn.4

• Liability issues include long-term debts incurred to promote economic growth or address short-term problems as well as unfunded guarantees and legacy commitments. While public debt has traditionally received much attention—and even more after the recent financial crisis—its inter-generational equity implications have not been much explored. Some steps in that direction have been incorporated in the work on the Inclusive Development Index.5

**The Sustainable Development Goals (SDGs)**

The 2030 SDGs describe a universal agenda to be implemented by all countries and the 2030 target date provides a valuable focal point for efforts to improve global welfare—implicitly defined to include both flow and stock notions. The SDG Index and Dashboards Report, for example, was launched in 2018 to assess where each country stands with regard to achieving the 17 goals for 2030.6 Such measurement initiatives can help reveal key implementation challenges and guide national action and international cooperation to address gaps that will hinder achievement of the SDGs by 2030. These efforts should become a major reference for “Beyond GDP” measurements and discussions.

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6 [http://www.sdgindex.org](http://www.sdgindex.org)
Much of this work underscores the idea that no one measure will fully capture a country’s progress and degree of inclusive prosperity. In our view, the real question is not what metric should replace GDP—but rather how can we best complement it?

Our proposal for a three-fold view of national performance is designed to establish a high-level dashboard to track progress on well-being and draw attention to any divergence, or even conflict, between economic and non-economic objectives that require a course correction. In such a performance dashboard, the purely economic view represented by GDP would be complemented by two sets of metrics focusing on current well-being through separate subjective and objective lenses.

Given that there is no applicable numerary, well-being measures are unavoidably relative ones. Consequently, there are no absolute well-being values comparable to GDP. Nevertheless a country’s relative position on well-being and, especially, its trajectory are valuable additions to the purely economic view of national performance. Both factors must be incorporated into policy decisions as governments shift their focus from inputs and outputs to the citizen experience.
Subjective Well-Being

Of the three lenses in our proposed national performance dashboard, subjective well-being measures stand furthest apart from the economic lens represented by GDP. Not surprisingly, these metrics, often reported under the soft-tone label of ‘happiness’, have not been readily embraced by policy makers.

There are two main, complementary approaches to measuring subjective well-being. One focuses on current perceptions—encompassing daily experience and current quality of life. The other focuses on perception of satisfaction with life more broadly—encompassing opportunity and fulfillment. These different measures of well-being provide distinct perspectives on the process by which respondents reflect on or experience their lives. The measures of well-being representing life evaluation have been shown to be substantially correlated with income while measures of current feelings tend to be less correlated with income.

The relatively low penetration of happiness metrics in the world of policy making may also be due to the fact that they are quite recent. They are primarily derived from Gallup World Poll surveys of 150-plus countries that started only in 2005 and are not conducted annually. These metrics gained more visibility only after the World Happiness reports started being published in 2012 as an initiative of the Sustainable Development Solutions Network linked to the UN.
It is clear, especially in time series spanning decades, that happiness and GDP trends are not in synch. Rather, it is the nature, sources and distribution of GDP and GDP growth -- within and across countries -- that seem to have an important influence on subjective perceptions of well-being. Consider the Easterlin paradox. Simply put, it holds that happiness is related to GDP across countries but not through time. The paradox remains germane and provides a strong justification for including a subjective measure of well-being in our proposed three-fold national performance dashboard. In addition, the lack of alignment between happiness and GDP growth appears to have become more pronounced in recent years which makes the need to focus on this kind of metric an urgent one.

As Carol Graham notes The study of happiness and metrics from surveys of subjective well-being have the potential to contribute a great deal to policy design, policy monitoring, and policy assessments, as well as to our understanding of human welfare more generally. The 2018 Global Happiness Policy Report took stock of the many budding initiatives to bring subjective well-being indicators into national and regional policy discussions and planning and the OECD has published guidelines for the collection of subjective well-being measures. These efforts, however, still remain mostly peripheral to policy making -- confined to ad hoc programs and not treated in the same manner as GDP-based measures of performance.
The distinction is often described (using terms borrowed from psychology) as between the current hedonic perceptions of well-being and life-time evaluative (eudemonic?) perceptions of well-being. The latter is usually framed in terms of a 0-10 measure or “Cantril scale” and is the summary measure of happiness used in this paper.

Looking at differences over the most recent decade between the trajectory of a purely economic indicator and the subjective happiness measure, it is clear that they don’t necessarily move in the same direction and convey different messages across countries. In Exhibit 1, as in other charts in this report, dots represent 130 countries for which data are available for all three views. Country labels only spotlight 28 countries, those with pcGNI above $20,000 and population above 9 million and those with populations above 90 million—regardless of pcGNI levels. Among our spotlight countries, for instance, in China both GNI and happiness improved but other fast-growing countries like Ethiopia and Vietnam saw their happiness levels deteriorate. And in the UK and Russia, happiness improved in spite of weaker income growth.

Clearly subjective measures of well-being convey different perspectives—related to citizen experience—than GDP does. Hence, we propose to include the high-level life happiness indicator (Cantril ladder scale from the World Happiness Report based on the Gallup World Poll) as one of the three views in our national performance dashboard.

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Note: Dash lines creating quadrants represent median values.
Sources: World Happiness Report; The World Bank; BCG analysis.

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7 The distinction is often described (using terms borrowed from psychology) as between the current hedonic perceptions of well-being and life-time evaluative (eudemonic?) perceptions of well-being. The latter is usually framed in terms of a 0-10 measure or “Cantril scale” and is the summary measure of happiness used in this paper.
12 https://read.oecd-ilibrary.org/economics/oecd-guidelines-on-measuring-subjective-well-being_9789264191655-en#page1
13 Data are not available for every year for every country but there are enough data points over the last decade to depict the direction of change.
In order to bring the broader goal of well-being to center stage it is important to have objective measurements and benchmarks that can be tracked. As Economics Nobel laureate Michael Spence has noted Measurement is a critical step in generating insights and motivating action on the various dimensions of well-being. Knowing we have a problem is a start and understanding the relative magnitude of the problem is even better. Without a good set of measures around well-being we will fall back on the conventional measures of per capita incomes and growth.¹⁴

The Boston Consulting Group’s Sustainable Economic Development Assessment (SEDA), developed in 2012, responded to that measurement need and was inspired by a number of the earlier initiatives exploring concepts and measures of well-being—notably the Stiglitz-Sen-Fitoussi work. It was designed to assess how individual countries stack up relative to other nations based on key outcomes and factors affecting the well-being of their populations. SEDA’s diagnostic approach was intended to not just provide benchmarks but also, importantly, to identify areas requiring priority attention in national (or international organization) strategies.

An important predecessor, with a narrower scope, is the UN’s Human Development Index. Similar in scope to SEDA is the Social Progress Index which launched in 2014. Notable among other “Beyond GDP” related efforts is the OECD’s Better Life Index—with coverage, however, limited to OECD member countries. And, unlike SEDA the OECD index combines subjective and objective well-being measures.¹⁵

SEDA is a relative measure combining objective, factual data on outcomes, such as in health and education, with quasi-objective data, such as governance assessments. SEDA scores, and coefficient measures derived from them, provide good examples of an objective well-being measure to incorporate into our proposed three-fold view of performance. Consequently, it is worth exploring how SEDA is constructed and how it relates to other measures of progress and well-being.

SEDA relies on ten dimensions to define well-being, with those dimensions serving as the building blocks for SEDA scores. The choice of dimensions was driven by two objectives: to complement the purely economic view with a broader one; and to provide a structure for the discussion of policy priorities. The 40 indicators that comprise the 10 dimensions were not intended to comprehensively depict each area. Rather they were designed (within the limitations of data available for most countries in the world) to provide enough basis for differentiating the situation across countries in each dimension. (See Exhibit 2)

¹⁵ Subjective measures are clear in nature—they reflect individual perceptions about their life experience. What we call, for simplicity and contrast, objective measures come from a range of sources, some of which (such as health and education outcomes) purely objective but others (like rule of law and quality of infrastructure) are what more strictly could be called quasi-objective measures reflecting third party expert judgments. The useful OECD Better Life interactive tool allows you to reduce the subjective well-being component weight to zero, making it possible to derive an objective version of the Better Life Index.
In designing SEDA we focused on three types of issues. All three are of critical importance to expanding the government radar to include well-being, even in a world where GDP measurements are improved to address the limitations referred to above. The issues are:

1. consideration of institutional features and stability that have been proven to affect sustainable economic and social development
2. the role of non-economic or legacy factors which affect important outcomes such as in health, education and infrastructure
3. the fact that GDP is generally presented as a per capita average and does not incorporate distributional factors which determine how inclusive economic success is

Four SEDA dimensions address the limitations in #1 above with measures covering economic stability, civil society, governance and the environment. Economic instability affects especially vulnerable segments of the population. Civil society and governance are key inclusiveness factors that affect sustainability from a social perspective while the environment addresses sustainability from a natural resource perspective.

Three dimensions address the limitations in #2 above by focusing on outcomes and quality of services in education, health and infrastructure. One dimension reflects per capita income levels adjusted by Purchasing Power Parity estimates which capture differences in cost of living—of obvious significance for the well-being of the population and not necessarily reflected in market-based exchange rates.

Finally, two dimensions match limitation #3 above: one addresses employment and the others addresses inequality through three aspects: income, health outcomes and education outcomes. (See Box on Social and Income Inequality for an analysis of the differences).
Social and Income Inequality Differences

Concerning the important issue of inequality it is worth noting that adding indicators of education inequality (years of schooling) and health inequality (life expectancy) offers insights worth exploring in further work—in line with the idea of broadening the view beyond income. Overall, health and education inequality are closely correlated with each other and neither one of them is as closely correlated with income inequality. While income inequality in high-income countries appears to generally be higher than education and health measures of inequality, the opposite is the case in low-income countries. But there are a number of exceptions. In addition, the comparison between income and social inequality (combining education and health) offers a very mixed picture for middle-income countries.

For instance, the US looks much worse in terms of income inequality than in terms of social inequality (which is a simple average of health and education inequality measures). At the other end of the spectrum, Bangladesh ranks in the top quartile in terms of income equality but has a social equality ranking in the fourth quartile.

<table>
<thead>
<tr>
<th>Countries where Social Inequality is Worse than Income Inequality</th>
<th>Income Equality Rank</th>
<th>Social Equality Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>34</td>
<td>117</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>45</td>
<td>126</td>
</tr>
<tr>
<td>Egypt</td>
<td>29</td>
<td>102</td>
</tr>
<tr>
<td>Belgium</td>
<td>14</td>
<td>37</td>
</tr>
<tr>
<td>South Korea</td>
<td>26</td>
<td>44</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Countries where Social Inequality is Better than Income Inequality</th>
<th>Income Equality Rank</th>
<th>Social Equality Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>105</td>
<td>39</td>
</tr>
<tr>
<td>Spain</td>
<td>73</td>
<td>21</td>
</tr>
<tr>
<td>Brazil</td>
<td>145</td>
<td>93</td>
</tr>
<tr>
<td>Australia</td>
<td>56</td>
<td>15</td>
</tr>
<tr>
<td>Philippines</td>
<td>100</td>
<td>78</td>
</tr>
</tbody>
</table>

Note: Social Equality refers to the average of education and health equality indicators
Sources: SEDA 2018 (these scores mostly reflect 2016 data); BCG analysis

Overall SEDA scores confirm that wealthy countries with sound institutions have established the best foundation on which to build well-being. Consequently, Northern European countries top the rankings, with Singapore as the only non-European country in the top ten scorers.

But looking beyond the top-ranked countries yields a powerful insight: income does not determine well-being. In fact, countries with similar per capita income have very different levels of well-being (see Exhibit 3). Looking at examples for pairs of countries illustrates the different perspective that SEDA well-being scores offer compared to income measures (GDP or GNI). The US, for example, has a higher per capita income than Germany but a significantly lower SEDA score. Poland and Argentina, meanwhile, have similar income levels but Poland’s score is much higher. South Africa has a higher income level than Indonesia but much lower well-being score. And Vietnam achieves much higher levels of well-being than Nigeria in spite of similar income levels.

Comparing the latest SEDA well-being score with change over the last decade provides a perspective on how differently countries have evolved. Overall, there appears to be convergence: countries with high SEDA scores tend to show relatively low progress, while those with low SEDA scores tend to show more progress. But there are many exceptions. This underscores that a country’s policy decisions and spending priorities—rather than some natural force that drives convergence—are the primary determinants of progress. This reality is reflected in the fact that we see many countries in every quadrant in Exhibit 4.
Western countries heavily affected by the financial crisis make up most of the good but losing ground quadrant. Asia includes several weak but improving examples. Performance varied significantly among countries in sub-Saharan Africa, many of which fall in either the weak but improving or the weak and losing ground quadrant.

These comparisons underscore the fact that the conversion of both pre-existing wealth and economic growth into well-being is not an automatic phenomenon. Countries perform that conversion very differently.

We can examine how well countries are able to convert their wealth into well-being through the wealth to well-being coefficient (W2WBc) which compares a country’s SEDA score for its current level of well-being with the score that would be expected given the country’s GDP per capita. That expected score is based on the worldwide average relationship between GDP per capita and current-level scores of well-being, hence countries with coefficient above 1 are converting wealth into well-being at above global par rates.
Because the conversion of wealth into well-being (W2WB) reflects deep-seated institutional features and the legacy effects of past policy and expenditure decisions, the coefficient (W2WBc) does not tend to change quickly. However, over a decade it is possible to see considerable movement across countries in how they convert wealth into well-being—for better and worse. Interestingly, the change in that conversion rate, reflected in the W2WBc, does not appear to have any relationship to GDP growth over the period (see Exhibit 5).

Since SEDA’s wealth-to-wellbeing coefficient removes the most direct effect that income has on well-being levels, it provides a basis to explore possible trade-offs between the pursuit of well-being and economic growth. We find that contrary to some conventional wisdom, countries with coefficients higher than one (indicating above-par conversion rates from wealth into well-being) also tend to grow faster.
Exhibit 6: W2WB Conversion and Economic Growth

This positive relationship can be shown by looking at the average growth rates for countries in four groups based on their 3-year average W2WB coefficient at the start of the period. (See Exhibit 6). This relationship is also confirmed by econometric analysis of the 2007–09 W2WBC and average per capita GDP growth rates during the 2007–2016 decade for the 150+ countries in our data base.

The relationship is even stronger when we control for debt levels. Indebtedness was one of the major vulnerabilities that countries faced when the crisis exploded in 2008–2009. However, even after the effect of indebtedness is removed it is clear that countries with higher rates of conversion of wealth to well-being at the start of the crisis suffered a less severe impact. This can be seen visually in Exhibit 7 and is confirmed by econometric analysis. Our analysis also shows that countries with higher W2WBC tend to be able to recover faster.
This is very relevant to the purpose of our performance dashboard design. After all, when GDP and well-being measures are moving in different directions it means that opportunities are being missed to pursue policies that can serve both goals. Clearly, countries that focus on enhancing well-being not only raise the standard of living of their citizens, but also set their country up for stronger and more resilient economic growth. As a result, tracking GDP and well-being measures side-by-side can provide a valuable radar for national strategy formulation and implementation.

Comparing Subjective and Objective Measures of Well-Being

Analyzing the relationship between happiness and SEDA-type well-being measures yields two findings. First, there is a strong overall alignment between subjective and objective well-being measure snapshots (which can be seen visually in Exhibit 8 and is confirmed by statistical correlation). Second, some countries do exhibit idiosyncrasies that exclude them from this pattern. These exceptions offer valuable clues for policy makers in countries where subjective and objective measures of well-being differ persistently or drift apart.
A number of countries have a noteworthy departure from the alignment of subjective and objective measures (shown in Exhibit 8 normalized with the same min–max method). We call them optimists if their subjective well-being is higher than objective well-being, per SEDA scores, and pessimists if the reverse is true. Examples among the major countries highlighted in our charts include: Japan, Egypt and India as clear pessimists; and Mexico, Brazil, Philippines, Nigeria and Pakistan as optimists. China is among the realists (on the diagonal), as are the UK, Australia and Canada.

We know that inequality plays a role—individuals in countries with higher levels of inequality tend to report relatively lower levels of happiness. It also seems that there are cultural factors at play which manifest themselves in regional patterns. But those explanations appear to be only partial ones—which leaves an intriguing area for further exploration.17

17 The World Happiness Report uses an approach to explore the idiosyncrasies—identifying ‘residual’ happiness differences that cannot be explained by a number of socio-economic and institutional factors.
Three-fold View of Performance

The visual representation of our proposal takes a triangle shape to show the need to pay attention to all three views or angles. (See Exhibit 9.) For each of them it would be important to highlight both the current situation (which could be done with reference to the rest of the world or to a set of peer countries) and the recent trend—indicative of dynamics at play.

There are a number of options for such a high-level performance dashboard. To illustrate what this means in practice, we use pcGNI for the economic view, the Happiness score for the subjective well-being view and SEDA’s W2WBc for the objective well-being view.

The high-level progress dashboard that we propose is designed not just to ensure that the three perspectives are given adequate attention but also, importantly, that any divergence becomes a flag to be explored further. For each of the three views of performance (economics, objective well-being and subjective well-being) there is considerable potential for deep dives and segmentation on which to base that exploration. But there is merit in having a simple high-level three-fold approach to capture the attention of policy makers and the public.

Exhibit 10: Beyond GDP National Performance – Illustrative Extreme Stereotypes
Looking at the recent trajectory of 130 countries around the world for which there are happiness and SEDA scores, in addition to GDP data, it is clear that we find countries in all possible combination of performance across the three views. Two examples (see Exhibit 10) illustrate some of the extreme situations and the different policy implications they convey: the Frugal Happiness country has low growth but manages to convert that into well-being at an increasing rate and happiness is on the rise; the Non-Inclusive Growth country has solid economic growth but is converting it into well-being less and less well and perceptions of happiness are deteriorating.

Exhibit 11: Beyond GDP Illustrative Country Categorization

| 2007–2016 Well-Being Trends: Objective (SEDA W2WBc) & Subjective (Happiness) |
|-------------------------------------|-------------------|-----------------|
| Negative signal | Mixed signal | Positive signal |
| Medium–High (above 1% growth rate) | Saudi Arabia | Brazil | Australia | Egypt | India | Vietnam | Nigeria | Bangladesh | Ethiopia | China |
| Low–Negative (below 1% growth rate) | Spain | Canada | United States | U. A. Emirates | France | Japan | Italy | Sweden | United Kingdom | Netherlands |

Sources: World Happiness Report 2018; The World Bank; SEDA 2018; BCG analysis

On the basis of this approach it is also possible to sort the world into categories of national performance dynamics. We illustrate what it means in practice by showing six categories where the 28 countries that we have spotlighted through the report place. (See Exhibit 11.) The first categorization criterion is per capita real GDP growth; the second criterion reflects the signals that emerge from objective and subjective well-being measures. A negative signal means that both measures show backtracking or that at least one shows major backtracking and a positive signal means that both measures show progress.

In this illustrative categorization, we find some of our 28 spotlight countries in each of the six categories. Some countries—both with high and low per capita GDP growth—managed to improve in both measures of well-being. Meanwhile other countries—regardless of how fast their per capita GDP grew—saw significant backtracking in terms of well-being.
Despite the many critiques of GDP, and the emergence of a wide array of proposals for modifications and even for alternative indicators, this measure maintains a central place amongst policy makers, planning offices and the media. “Beyond-GDP” indicators are being collected by official statistics offices, but they appear to be considered in policy making only by exception and are often, at best, given an auxiliary role limited to certain policy areas.

As GDP (hopefully) becomes better and better at capturing the economic dynamics of a complex world, it will continue to offer a valuable yardstick of progress. Those who track it in isolation, however, will not only suffer from both myopia and lack of peripheral vision, but they risk missing the emergence of major social challenges that are central to the success of policies. Well-being metrics can ensure that the policy ‘radar’ is rich enough to match socioeconomic dynamics and provide an early warning system to trigger course corrections.

A high-level view of well-being metrics alongside GDP needs to become embedded into the monitoring mechanisms that policy makers rely on to ensure quick response to meaningful divergences between the two. Sensitizing public opinion and media about it would also be important. The three-fold dashboard that we propose would also enrich and inform public debate on policy directions and priorities—or trade-offs.

While we have focused on the challenge of using well-being as part of national performance metrics to generate a “beyond GDP” perspective, the design thinking logic goes much further than that and calls for re-balancing better top-down and bottom-up perspectives. It demands policy-making and government action that reflect a broader purpose—focusing on the citizen experience.

Conclusion
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