

Proposal for parliamentary investigation into a broad definition of prosperity

Introduction

As part of its Future and Research Agenda 2015 (*Toekomst- en Onderzoeksagenda*), the Dutch House of Representatives voted in favour of a proposal for a parliamentary investigation into a broad definition of prosperity on 12 February 2015.¹ The House asked the standing committee on Economic Affairs to develop the proposal further in order to enable the investigation to be conducted by means of a temporary committee.²

The standing committee on Economic Affairs has established a working group for this purpose.³ This working group, made up of the intended members of the temporary committee on a Broad Definition of Prosperity, compiled this research proposal. The working group discussed the research proposal at a meeting with experts from the planning offices⁴, Statistics Netherlands (*Centraal Bureau voor de Statistiek*, CBS) and the Scientific Council for Government Policy (*Wetenschappelijke Raad voor het Regeringsbeleid*, WRR). The proposal was then put to the standing committee on Economic Affairs for approval.

The proposal starts by detailing the context and objective of the investigation. It then discusses the research questions and methods, planning and costs.

Context

In its report entitled 'Towards a Learning Economy' 2013 (*'Naar een lerende economie'*), the WRR concluded that Gross Domestic Product (GDP) has, in the last 50 years, increasingly been equated with (material) prosperity and progress, but that the concept of GDP has limitations.

Although the value of GDP in this context should not be underestimated, there is a widespread trend towards focusing on more than GDP alone. There have been initiatives

¹ Parliamentary document [32 224, no. 11](#), Appendix.

² [House of Representatives, 2014–2015 year of session, no. 54, item 26 dated 12 February 2015](#).

³ The working group was made up of the following Members of Parliament: Harbers (VVD), Nijboer (PvdA), Heerma (CDA), Hachchi (D66), Schouten (ChristenUnie) and Grashoff (GroenLinks (from 20 May 2015, prior to which Van Ojik represented the party in the working group)).

⁴ Netherlands Bureau for Economic Policy Analysis (*Centraal Planbureau*, CPB), Netherlands Environmental Assessment Agency (*Planbureau voor de Leefomgeving*, PBL), Social and Cultural Planning Office of the Netherlands (*Sociaal Cultureel Planbureau*, SCP).

across the world to refine measurements of GDP and to investigate options for a broader definition of prosperity. These initiatives have come from governments, parliaments and international organisations.

In the Netherlands, Statistics Netherlands and the joint planning offices have already taken the initiative of charting the various elements of broad prosperity. This includes establishing the Sustainable Netherlands Monitor (*Monitor Duurzaam Nederland*), which offers a wide-ranging collection of social, economic and ecological indicators. It has so far played only a limited role in political debate.⁵

A parliamentary investigation into a broad definition of prosperity can bring about new insights in order to more effectively take account of the various elements of prosperity in policy-making and the political debate.

Objective

The objective of the investigation is threefold:

1. Clarifying exactly what GDP does and does not measure, and the role that it plays in policy-making and political decision-making;
2. Determining whether, and if so to what extent, it makes sense to develop complementary instruments and/or indicators alongside GDP to clarify different elements of broad prosperity with a view to involving these instruments and/or indicators in policy-making and in the political debate;
3. If this is seen as useful, formulating a proposal on how these instruments and/or indicators should be shaped and how they could be used.

Key questions and parameters

The objective has been translated into three central research questions, which were further subdivided into subsidiary questions.

Central research question 1

What information is missing if GDP is taken as the primary measure of broad prosperity and what consequences does this have for policy-making and political decision-making?

- In broad outline, what does GDP measure and what does it not measure?
- How central is the role that GDP plays in policy-making and political debate in the Netherlands and the European Union?

⁵ Wetenschappelijke Raad voor het Regeringsbeleid (2013). *Naar een lerende economie. Investeren in het verdienvermogen van Nederland*, p. 350; Centraal Planbureau (2009). [Brede welvaart en nationaal inkomen](#), pp. 1 and 5

- How, in broad terms, is the (internationally-standardised) method of calculating GDP established? Which international body or bodies is or are responsible for determining this?
- To what extent is the (internationally-standardised) method of calculating GDP set in stone?

Central research question 2

What measures, indicators and or key statistics are used in the Netherlands alongside GDP to measure prosperity, and what role do these play in policy-making and political decision-making?

- What financial measures, indicators and/or statistics (such as the state balance-sheet and the purchasing power charts) and what non-financial measures, indicators and/or statistics are used in the Netherlands alongside GDP to measure prosperity?
- What possibilities do these existing measures, indicators and/or statistics offer and what limitations do they have? What do they measure and not measure?
- Do these measures, indicators and/or statistics describe prosperity at a given point in time (representation of current prosperity), or are policy intentions also taken into account?
- To what extent are these measures, indicators and/or statistics specific to the Dutch system and to what extent are they applied internationally?
- How are they presented in different reports?
- How central are the existing measures, indicators and/or statistics to Dutch policy-making and/or political debate and are they used to optimum effect?

Central research question 3

What supplements or additions – including on the basis of other countries' plans and initiatives – does the temporary committee feel are desirable in order to clarify broader prosperity, alongside GDP and other already existing measures, indicators and statistics?

- What experience have other countries acquired in terms of searching for/formulating a broader definition of prosperity, such as a dashboard approach?
- What possibilities are there for including other aspects in a broader definition of prosperity, such as the informal economy, the participatory society, traffic congestion, the stock-and-flow approach ('the depletion of resources') and the consequences of current policy for the future?
- How can different sectors, including nature, education, the environment, care and wider infrastructure be made measurable alongside GDP?
- What possibilities are there for including other financial aspects in a broader definition of prosperity, alongside GDP (such as shifting expenditure to the future)?
- To what extent can other instruments and/or indicators, such as social cost-benefit analyses also play a role? What developments are already underway in this area?

- To what extent have dashboards, models etc. influenced policy-making and/or political debate in other countries?
- To what extent is it possible and desirable to fall in with existing initiatives in the Netherlands and abroad?
- Are additional instruments desirable in the Netherlands, alongside GDP and other, already existing financial and non-financial measures, indicators and statistics?
- If additional instruments are desirable, what elements should they consist of in order to clarify broader prosperity?
- If additional instruments are desirable, what added value could they have in terms of policy-making and/or political debate?
- Is it possible or desirable for such additional instruments to provide an indication of prosperity at a given point in time or for policy intentions also to be taken into account?

Investigation methods

It is proposed that the investigation be divided into three phases:

- Phase 1: orientation;
- Phase 2: further elaboration of elements of broader prosperity;
- Phase 3: completion of final report/end-product.

Phase 1: Orientation

- The temporary committee will explore the relevant national and international literature available on the method of calculating GDP and review existing available information (including at the planning offices and the CBS) on a broad definition of prosperity.
- The temporary committee will conduct exploratory discussions with experts from Dutch organisations involved in the method of calculating GDP and/or who have relevant knowledge for drawing up a broader definition of prosperity (e.g. the CPB, the CBS, the PBL, the SCP, the WRR, and universities)⁶. The aim of these discussions will be a) to gain a better understanding of the method of calculation and value of GDP and b) explore which measures, indicators and statistics currently exist in the Netherlands alongside GDP for measuring the economy and prosperity, how revealing they are, what use can be made of existing Dutch and foreign initiatives, what elements of broader prosperity can be distinguished in global terms and what the possibilities and limitations are.
- The temporary committee will conduct further discussions with experts who have been involved in initiatives in other countries to learn about their results and experiences. In order to find out about these initiatives in other countries, the temporary committee will make several short, one-day working visits abroad.
- If necessary, the planning offices, universities and other relevant organisations will be asked to provide written answers to questions from the temporary committee.

⁶ Wetenschappelijke Raad voor het Regeringsbeleid (WRR), Centraal Planbureau (CPB), Centraal Bureau voor de Statistiek (CBS), Planbureau voor de Leefomgeving (PBL), Sociaal Cultureel Planbureau (SCP).

- The temporary committee will conduct any supplementary analyses required, making use of international experience and literature.
- During the orientation phase, the temporary committee is expected to hold approximately 15 meetings.

Phase 2: More detailed elaboration of elements of broad prosperity

- The temporary committee will develop an outline of its definition of broad prosperity. It will determine whether there are elements of broader prosperity that require further elaboration and, if so, what role a broad definition of prosperity can have in political decision-making. Finally, the temporary committee will decide what form the end-product should take.
- The temporary committee will ask the CPB, the CBS, the PBL, the WRR, academics and other relevant organisations or individuals to provide more detailed information on the way in which elements of broad prosperity selected by the temporary committee can be made measurable. For example, this can be done by asking organisations and/or individuals (together or jointly) to compile papers or memoranda.
- Based on meetings, papers and/or memoranda, the temporary committee will decide whether, and if so which, additional information alongside GDP will be incorporated within the end-product to be defined in more detail by the temporary committee.
- If a decision is made to further elaborate on elements of broad prosperity, the temporary committee is expected to hold approximately 20 additional meetings.

Phase 3: Conclusion of investigation

- Based on its analysis and conclusions, the temporary committee will complete its end-product. In the end-product, the committee will clarify whether it is worthwhile developing an additional instrument in order to take greater account of the various elements of broad prosperity.
- If it is deemed worthwhile to have an additional instrument, the temporary committee will put forward a proposal on the form that such an instrument should take and how it should be used.

Temporary committee

In view of the fact that the theme of the investigation goes beyond the committee's remit, the standing committee on Economic Affairs proposes the establishment of a temporary committee of investigation. This will ensure that the temporary committee is itself responsible for the conclusions of its investigation; a temporary committee also has an opportunity to invite people and organisations on its own behalf. After the House has approved the formation of a temporary committee, the committee will take matters in hand.

The temporary committee can also further elaborate on the research questions during the initial phase of the investigation. It will be supported in this by an internal administrative staff. The staff will support the committee in its work in terms of logistics, procedure and

content. For example, this will involve preparing and supporting meetings and interviews, compiling documents for discussion and draft reports, carrying out parts of the investigation, and outsourcing and supervising parts of the investigation to third parties.

Approximate schedule

Sep 2015 (after recess)	Set up temporary committee
September/December 2015	Initial exploration of GDP and other indicators/statistics in meetings. In September, ask planning offices, academics etc. to compile a paper/memo on the method of calculating GDP. Initial exploration of international experiences in seeking/formulating a broader definition of prosperity.
Early November	Memos requested from planning offices, academics etc. on the method of calculating GDP to be completed.
November/December 2015	Based on the above information, the temporary committee sketches its definition of broad prosperity in broad strokes. The temporary committee decides whether, and if so which elements of broader prosperity require further elaboration. The temporary committee asks planning offices, academics etc. to compile papers/memos on measurements using alternative measures, indicators and statistics.
February 2016	Papers requested from planning offices, academics etc. on elements of broader prosperity to be completed.
February/April 2016	The temporary committee elaborates – if it is decided that this has added value – on a broader definition of prosperity, alongside GDP. For this purpose, the temporary committee will conduct in-depth meetings with planning offices, academics, etc.
April/May 2016	Writing of final report and possible development/outsourcing of development of end-product.
Before summer recess 2016	Completion of investigation, print final report and submit it to the House of Representatives.

External consultative committee

An independent, external consultative committee will be established to advise the temporary committee at crucial, decisive moments. The consultative committee will be made up of three or four experts on the subject, from various disciplines in the arena of a broad definition of prosperity. The experts must adopt an independent position in relation to the parliamentary investigation. The external consultative committee will meet several times during the investigation.

This memorandum is intended exclusively for internal use by members.

Budget

The costs and expenditure involved in this investigation have been agreed with the Finance and Administration Office of the House of Representatives. These costs and expenditure can be accommodated within the existing estimated budget for parliamentary investigations.