

# Measuring Prosperity Ethically

Research Paper

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The Global Solutions Initiative (GSI) is an independent, non-profit organization. Founded in 2017, GSI established itself as a guiding force in global policy through its advice for multilateral organizations like the G20 and G7. With a comprehensive program of research, outreach, and advisory activities, the GSI brings together policy, academia, civil society, and the private sector. The annual agenda culminates in the Global Solutions Summit, a high-level gathering of leaders, pioneers, and thinkers. The Berlin-based GSI is guided by the vision of its leaders Dennis J. Snower and Markus Engels and diverse international thought leaders. It strives to recouple economic progress with social and environmental prosperity to improve global governance and the everyday lives of people around the world.

## THE CHALLENGE

Many of the problems that people around the world face nowadays – such as climate change, biodiversity loss, financial instability, inequalities of opportunity – derive from a deficiency in the moral foundations of capitalism. They are collective action problems that are not addressed within the current framework of the market economy. People should be acting in ways that take into account the consequences of their actions for others, but they fail to do so because the capitalist system often gives them incentives to pursue their self-interest to the detriment of others.

A central reason for this deficiency is that the prosperity of nations and businesses is not measured appropriately. National and business prosperity are measured primarily in terms of GDP and shareholder value, respectively. This deficiency is not inherent in the capitalist system. Rather, it is a failure to measure success within the capitalist system in ways that promote the pursuit of human flourishing.

GDP and shareholder value do not take proper account of environmental degradation and social fragmentation. For example, climate change and biodiversity loss clearly endanger the present and future of humanity, but these phenomena are often not counted as detriments to GDP and shareholder value. Social fragmentation prevents people from engaging in the collective action that is required to overcome such problems, but when globalization and robotics undermine the social fabric of communities, these social consequences are given little attention in our measurement of national and business prosperity.

Capitalism is a system that enables people to mobilize resources, goods and

services in the pursuit of given goals. If the goals are defined and measured inappropriately, then the market system will function inappropriately as well. On this account, a major challenge of our times is to rethink the measurement of prosperity, at both the national and business levels.

By measuring prosperity in ways that are consistent with the achievement of meaningful human well-being – individually and collectively, now and in the future – and by accounting and reporting on such measures, we come into a position of conceiving how the capitalist system can be redirected to serve the genuine interest of humanity and the rest of the natural world.

## ETHICAL MEASUREMENT OF PROSPERITY

Failures to address collective action problems are invariably moral failures. The reason is simple: An essential purpose of moral values is to promote intrinsic cooperation within groups and suppress destructive selfishness. Moral values can thereby help people address collective challenges, such as public good and common pool resource problems.

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On this basis, it is wrong to engage in economic activities that lead to the destruction of our natural world or to the destruction of our communities, preventing us from addressing these and other collective challenges.

Prosperity should be measured in ways that enable us to address our collective action problems at all the relevant levels – local, regional, national, multinational and global. This requires human well-being to be measured more profoundly and extensively than GDP and shareholder value.

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There are three major concepts of well-being. The first focuses on pleasures, such as those from consuming food, entertainment and walks in the countryside. These pleasures arise from the satisfaction of human wants. The second is life satisfaction. This focuses on how people evaluate their life as a whole, rather than their feelings in real time. The third concept centers on the pursuit and achievement of one's moral values.

The pleasure-based concept is close to the economists' traditional notion of utility: well-being is simply the discounted sum

of utilities from the satisfaction of wants. The underlying pleasures are fleeting. Life satisfaction is more durable, but it characteristically depends on one's mood, self-esteem, personality, seasonal effects and outlook on the future (e.g., hopeful versus despairing).

The third concept, by contrast, is central for leading meaningful, fulfilling lives. It is impossible to find meaning in one's life without living in accord with one's moral values. It is impossible to find fulfillment in one's life without having aligned one's actions with one's sense of moral purpose.

On this account, the ethical measurement of prosperity becomes central for the redirection of capitalism towards human fulfillment. Before exploring the content of such measurement, it is important to review the roles that moral values play in guiding actions.

### THE SAGE DASHBOARD

Though there are many existing measures of well-being, none has thus far been focused exclusively on the pursuit and achievement of moral values.

The SAGE Dashboard is the first purely normative dashboard of well-being.

It is composed of four components:

1. Solidarity (S, measuring social cohesion and embeddedness): This covers the needs of humans as social creatures, living in communities with a sense of belonging.
2. Agency (A, measuring empowerment): It covers the need to shape one's life through one's own efforts, both personally and collectively. It includes mastery of the environment, personal

growth and the attainment of personal and collective goals.

3. Goods, in the material sense of goods and services (G, comprising conventional measures of GDP): This variable is central in the economists' toolkit.
4. Environmental sustainability (E, measuring the ability of the natural world to sustain and regenerate itself): It includes not only the consumption of what economists call "environmental services," but also the need to participate in the flourishing of the natural world.

Each of these components has a corresponding normative foundation of well-being:

- Solidarity: communitarianism
- Agency: classical liberalism
- Material goods: materialistic utilitarianism
- Environmental sustainability: eco-ethics.

These normative foundations are clearly related to core values that have been identified by other contributors to the literature on moral values. For example, with regard to Jonathan Haidt's moral foundation theory (e.g., Haidt 2013), the categories of Care/Harm, Loyalty/Betrayal, Authority/Subversion and Sanctity/Degradation can all be considered aspects of Solidarity, whereas Liberty/Oppression and Fairness/Cheating can be viewed as aspects of Agency.

The underlying claim of the SAGE dashboard is that it represents values, as well as the corresponding sources of well-being, that all people appear to have in common, transcending national and cul-

tural boundaries. This claim is built on the following insights:

- Since the success of homo sapiens is built largely on cooperation and niche construction, humans have evolved motives to socialize (particularly in groups of limited size) and to use their capacities to shape their environment.
- Consequently, personal empowerment (the exercise of agency) and social solidarity have become fundamental sources of human well-being – along with consumption of goods and services and environmental sustainability.

When people's important material needs have been met, when they feel securely and meaningfully embedded in society, when they have the power to influence their circumstances in accordance with self-determined goals, and when they live respectfully of planetary boundaries, then they achieve a wider sense of human well-being than when they simply maximize GDP growth. Failure to achieve any of these ends is associated with suffering. The inability to meet basic material

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needs signifies extreme poverty; lack of empowerment signifies a lack of freedom, self-expression and self-determination; failure to achieve social solidarity is associated with loneliness and alienation; and living unsustainably means robbing future generations (as well as others in the current generation) of the opportunity to lead flourishing lives.

The goals of economic prosperity, empowerment, solidarity, and environmental sustainability are “on a par” (Chang, 2017) in the following sense: (a) each component of well-being is better than others in some respects, (b) none seems to be at least as good as the others overall, in all relevant respects, and (c) there is no common unit by which they can be measured with regard to overall well-being, though they may be comparable ordinally for decision purposes. When sources of well-being are “on a par,” they are qualitatively different in terms of overall well-being, but nevertheless in the same neighborhood of such overall well-being. This means that if, in a particular social

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context, when choices between two jobs in different disciplines (e.g., becoming a lawyer or a doctor) are on a par, then offering a slightly higher wage in one job will not make that job preferable. Such choices are “hard choices,” because “they are comparable, but one is not better than the other, and yet nor are they equally good” (Chang, 2017, p.1).

The gains from empowerment and solidarity generally cannot be translated into temporally invariant money terms to measure economic prosperity. In order to thrive, people need to satisfy all four purposes – their basic material needs and wants, their desire to influence their destiny through their own efforts, their aim for social embeddedness, and their need to remain within planetary boundaries. Empowerment is valueless when one is starving; consumption has limited value when one is in solitary confinement; and so on. Furthermore, the gains from empowerment, solidarity, economic prosperity and environmental sustainability are different in kind and thus not readily commensurable.

That is the reason why empowerment, solidarity, economic prosperity and environmental sustainability are to be understood as a dashboard. Just as the dashboard of an airplane measures magnitudes (altitude, speed, direction, fuel supply, etc.) that are not substitutable for one another (e.g., correct altitude is not substitutable for deficient fuel), so our four indexes are meant to represent separate goals. Only when a country makes progress with respect to all four goals can there be some grounds for confidence that a broad array of basic human needs and purposes is being progressively met.

## EMPIRICAL ANALYSIS AND ILLUSTRATIONS OF RELEVANCE

A SAGE dashboard has been developed for the measurement of national performance for over 160 countries over the last two decades. The methodology and data sources underlying this empirical exercise is described in Lima de Miranda and Snower (2020, 2022).

This is part of an ongoing empirical effort to develop these measures further and to relate them to other dashboards of well-being, such as the OECD Better Life Index (2019), the Social Progress Index (Stern et al., 2022) and the Sustainable Development Goals (Schmidt-Traub et al., 2017). Relevant measures from these other dashboards will be incorporated into the SAGE framework, in accordance with well-defined criteria. Thereby other empirical efforts can enrich normative measures of well-being and, conversely, our normative measures can enrich the other dashboards by identifying those sources of well-being that arise from living in accordance with one’s values. On this account, the SAGE dashboard is not to be understood as an alternative to existing well-being dashboards, but as an ongoing empirical effort to distill and categorize existing data within a framework focused on the moral foundations of well-being.

The political and social insights to be gained from the SAGE dashboard are far-reaching. For example, two years before Donald Trump won the U.S. Presidential election, Agency suffered a steep decline, Inward Solidarity stagnated, while Outward Solidarity fell. (See Figures 1 and 3 in Lima de Miranda and Snower (2022).) In the period 2006–2016, Solidarity (both Inward and Outward) fell by 6% and Agen-

cy dropped by 12% in the U.S. These psycho-social developments were masked by a steady rise in GDP. Had such phenomena received the serious attention that they deserved, we could have gained a deeper understanding of Donald Trump’s electoral appeal and new insights into ways of dealing with the underlying discontent. (“This time, it’s not the economy, stupid.”)

One year before the Brexit referendum, Outward Solidarity in the U.K. plummeted, Inward Solidarity rose, while Agency declined (as shown in Figures 1 and 3 below in Lima de Miranda and Snower (2022)). Over 2006–2016, Inward Solidarity in the U.K. fell by 2%, Outward Solidarity was stagnant, and agency fell by 5%. This, too, provides a very different picture of British well-being than the steady rise of U.K. GDP. Once again, prominent recognition of these developments would have given rise to a different assessment of the social problems leading to Brexit than the ones on which Prime Minister David Cameron was focused. (Again, “It’s not the economy, stupid.”)

More recently, the success of public health measures to control the spread of the Covid-19 pandemic – particularly, the success of social distancing measures – depended heavily on public compliance. Perceived compliance with social distancing is empirically correlated with lower stress and anxiety levels and fewer depressive symptoms. Such public compliance has been shown to rely heavily on social solidarity (Lima de Miranda and Snower, 2022). Inward Solidarity is the binding force that induces members of a society to pursue a common purpose. If confidence in the existing political and judicial institutions is high, then this com-

mon purpose can be mobilized by the government in the public interest. Outward Solidarity is essential to deliver public support for multilateral efforts to contain the pandemic.

### CONCLUDING REMARK

The SAGE dashboard addresses the widespread concern that the workings of modern, capitalist economies are not well attuned to the promotion of societal flourishing and environmental sustainability. We claim that a normatively-based dashboard of well-being, spanning the policy-business divide, is a first step towards the achievement of “moral capitalism,” in which businesses can compete for profits and consumers can fulfill their needs equitably and inclusively.

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