



**WELLBEING
ECONOMY
ALLIANCE**

**WEAll Ideas:
Little Summaries of Big
Issues**

**A wellbeing economy for
Scotland**

**Extract from position paper prepared for Citizens' Assembly of
Scotland**

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Background

This is not a typical WEAll Ideas paper as it is a version of a ‘position paper’ prepared as an input to the Citizens’ Assembly of Scotland session on ‘sustainability’, focusing on how to realise their co-produced statement goal of:

“The kind of Scotland we are seeking to build will be a sustainable country, environmental, economic and social impacts for the good of the country”

Please note that it was not produced with the involvement of the WEAll Knowledge and Policy cluster as WEAll Ideas papers normally would be – but we thought the content was worth publishing as they speak to some key wellbeing economy themes.

Please also note that it was drafted according to the brief and requirements of the Citizen’s Assembly. It thus reflects that brief, although this version has been slightly shortened. The original version [can be found on their website](#) here.

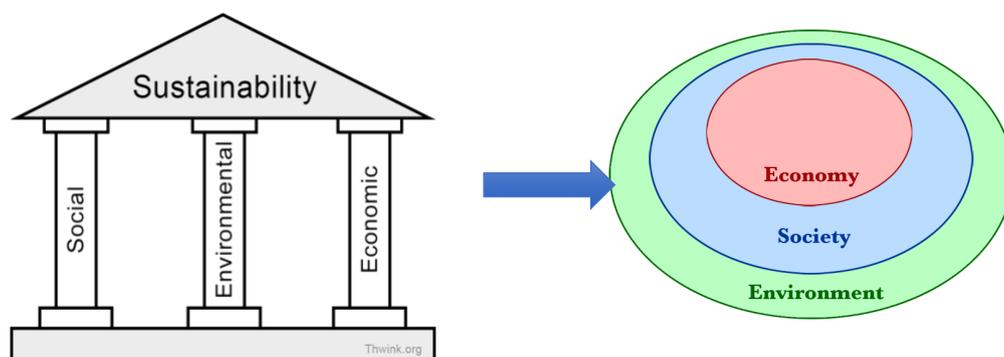
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An economy in service of what really matters most?

The economy is a way in which we as a community and as a society distribute, use and take care of resources to meet our needs: the original meaning of the word is 'household management'.

But today when people talk about 'the economy' they are often viewing it in narrower way. Usually, people think of money, markets, businesses, paid work and taxes. In political discussions and in a lot of media debate this view of the economy has come to be seen as a goal in and of itself. It is often assumed that if the economy gets bigger (usually measured by 'Gross Domestic Product'¹: the main, but flawed measure of economic growth²) then that is automatically a good thing. But this forgets that growth of the economy is just one way to achieve the ultimate ends we seek: good lives on a healthy planet. Nor does this approach recognise that sometimes growth is not very good at helping us achieve these ultimate ends and pursuing it can bring a lot of harm.

Balancing social, environmental and economy goals requires remembering that the economy exists *within* society: it depends on society to function. And that both economy and society exist *within* the natural world: both depend on the environment to function. The economy is thus not an equal pillar as is often described (see image on the left below), but more a subset of both society and the environment (the image on right).⁴



Recognising that the economy depends on both nature and society and that growing the economy is not always the best route to deliver the 'good of the country' means that we can ask more of the economy. In particular, we can ask

¹ GDP is a measure of what is brought and sold (money changing hands) in a country. It includes consumer spending and government spending, and adds in exports but subtracts what is imported.

² <https://www.fastcompany.com/90435788/a-nobel-winning-economist-says-its-time-to-kill-the-gdp>

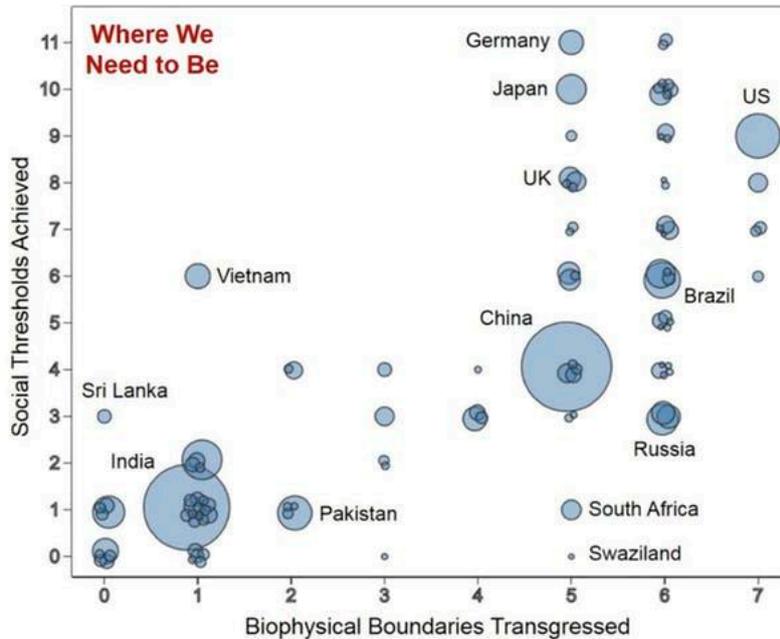
³ <https://policy.bristoluniversitypress.co.uk/the-economics-of-arrival>

⁴ Image by Sunray Iacchus

how well it meets social and environmental goals? How can the economy (and growth of it) be in service of what people and planet need, rather than extracting from them as is so often the case?

How well are we doing now in Scotland?

Currently, no (national) economy is able to meet the needs of its people without putting unsustainable pressure on the planet.



The image above summarises research from the University of Leeds⁵ that searched for an economy that, on average, delivered for its people in social and economic terms without using more of the earth’s resources than is sustainable. They couldn’t find a single economy that managed this. The top left corner – where we would see economies that have a decent level of socio-economic attainment and which are sustainable – is empty.

‘On average’ is an important caveat to note because it hides a lot of *in-country inequality* that illustrates that **the economy of today is not working for enough people**. In Scotland:

- 20% of people in Scotland were living in relative poverty in 2015-18⁶
- 60% of working-age adults are in relative poverty were living in working households⁷

⁵ <https://goodlife.leeds.ac.uk>

⁶ <https://www.gov.scot/publications/poverty-income-inequality-scotland-2015-18/> (this figure is after housing costs have been taken into account.)

⁷ <https://www.gov.scot/publications/poverty-income-inequality-scotland-2015-18/pages/5/> (both before and after housing costs)

- Top 1% alone owned more wealth than the bottom 50%⁸

In environmental terms, while Scotland's carbon footprint (including from consumption produced overseas) fell in recent years⁹ and other environmental indicators improved, Scotland's carbon emissions are still higher what the planet can sustain.¹⁰

Can Scotland's current economic set up deliver what is 'good for the country'?

Many people suggest that if the current economy is made greener or 'cleaner' then things will be fine. This not only ignores the inequality and poverty created by the current economic set-up, but it relies on separating (what is known as 'decoupling') the growth of an economy from environmental impact to an extent that is practically impossible.¹¹ As the European Environment Bureau concludes:

there no empirical evidence supporting the existence of a decoupling of economic growth from environmental pressures on anywhere near the scale needed to deal with environmental breakdown...It is a reason to have major concerns about the predominant focus of policy makers on green growth...The literature reviewed clearly shows that there is no empirical evidence for such a decoupling currently happening. This is the case for materials, energy, water, greenhouse gases, land, water pollutants, and biodiversity loss for which decoupling is either only relative, and/or observed only temporarily, and/or only locally.¹²

On the social side of things, many people suggest that if growth is more 'inclusive', then things will be fine, but that ignores the environment.

The combination of inequality, poverty and unsustainable resource use tells us that while the economic practices of previous years may have yielded some benefits for some and in some places, relying on the same recipes for the future is not going to deliver what Scotland's people need.

The benefits of growth are entering a stage when they bring less bang for their buck (what economists would term 'diminishing marginal returns'. The image

⁸ <https://www.gov.scot/publications/wealth-assets-scotland-2006-2014/pages/2/>

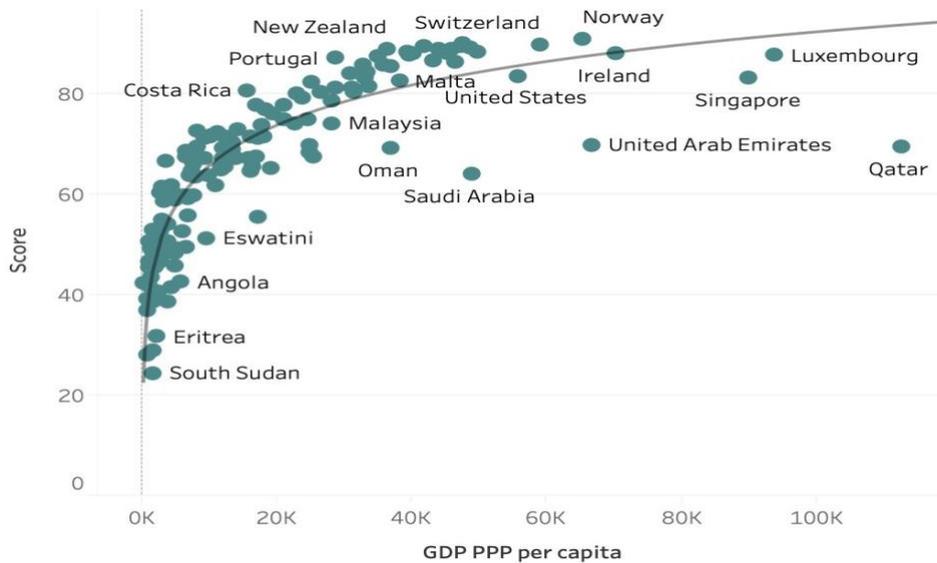
⁹ <https://www.gov.scot/news/scotlands-carbon-footprint-1998-2016/>

¹⁰ See https://www.citizensassembly.scot/sites/default/files/inline-files/weekend%203%20-%20sustainability%20-%20position%20paper%20-%20Dr%20Andy%20Kerr%20%20-%20FINAL_0.pdf and <https://policy-practice.oxfam.org.uk/publications/the-scottish-doughnut-a-safe-and-just-operating-space-for-scotland-323371>

¹¹ <https://www.tandfonline.com/doi/full/10.1080/13563467.2019.1598964>

¹² <https://mk0eeborgicuyptuf7e.kinstacdn.com/wp-content/uploads/2019/07/Decoupling-Debunked-FULL-for-ONLINE.pdf>. See also <https://www.tandfonline.com/doi/abs/10.1080/13563467.2019.1598964>

below¹³ maps countries according to their GDP per person against an index of 51 different aspects of what the team behind this research describe as 'social progress'. It shows that when a country is in early stages of economic development, more GDP can be helpful in terms of social progress, but those benefits start to tail off.



Indeed, for countries such as Scotland with higher GDP per person, a lot of what is counted as growth (rises in GDP) is driven by helping to fix and clean up the harm done in its pursuit (this is termed 'failure demand' in social policy and 'defensive expenditure' in environmental terms).¹⁴ For example:

- ◆ Cleaning up after a flood that was caused by a warming climate
- ◆ Hospital care for people who are stressed and turn to drugs
- ◆ Medical treatment for people whose asthma is made worse by the pollution in our streets
- ◆ Night shelters for people made homeless
- ◆ Security guards and CCTV cameras

Many of these expenditures have their roots in an economic system that has created inequality and poverty and that does not take good enough care of the environment.

Recognising diminishing marginal returns and failure demand suggests it is time for new economic goals that focus on the ends Scotland really needs and growing what matters to that – rather than hanging onto GDP which does measure things that are useful, but also counts as a plus those that are harmful.

¹³ <https://www.socialprogress.org> 2019 Index. The website has a lot more information about what is in the Index.

¹⁴ <https://policy.bristoluniversitypress.co.uk/the-economics-of-arrival>

It requires acknowledges that Scotland has ‘arrived’ in the sense it has sufficient wealth and bountiful resources, but the task now is not to create more, but to share and cherish them better. Such an economy can be termed a ‘wellbeing economy’: one that has social justice and environmental health as the top priority and asks what sort of economic activity and for whom is needed to deliver those goals?

This opens up space for a range of new ambitions and new actions.¹⁵ This new purpose takes the conversation beyond how to help people and planet cope with harmful impacts of the current economic system (in other words, being content with policy and charities acting as sticking plasters). It instead asks more of the economy in helping deliver the sort of Scotland we want, the first time around.

Think about the field of welfare and social security as an illustration. The current scenario is one in which resources are moved via taxes and are, amongst other things, used to redistribute incomes by transferring money to those on low incomes, making the gap between the richest and poorest a little less wide. In contrast, a wellbeing economy would ask more of the economy in stopping the gap getting so wide in the first place. For example, through building economies from the community up by ensuring more spending is done locally and more local people own and work in local businesses (called community wealth building and as seen in Preston¹⁶). It can also happen by changing the sorts of businesses that make up the Scottish economy so there are more businesses in which ownership is more spread out and workers and communities are joint owners of the businesses they buy from and work for (often called economic democracy and as seen in the north of Italy¹⁷). Such businesses are designed to deliver for their members, first and foremost, rather than being focused on short term profit which often goes to people who live far away and have very little to do with making the business successful.¹⁸ Through such shifts, a wellbeing economy would require less in-work tax credits and other transfers by ensuring people earn enough to live on and feel secure. Less redistribution would be required because the gap between the rich and poor in Scotland wouldn’t get to be so large.

Challenges in making the shift to a wellbeing economy

Building a wellbeing economy in Scotland is far from an easy task. Many of our systems and institutions are designed in a way that depend on economic growth. Conversations about the economy are often framed with an assumption that economic growth is *always* good – implying it is impossible to have too much or

¹⁵ See <https://wellbeingeconomy.org/oldwaynewway> for examples of the sort of changes a wellbeing economy would entail.

¹⁶ <https://cles.org.uk/blog/the-secret-to-prestons-success/>

¹⁷ <http://www.yesmagazine.org/new-economy/the-italian-place-where-co-ops-drive-the-economy-and-most-people-are-members-20160705>

¹⁸ See <https://wellbeingeconomy.org/the-business-of-wellbeing>

the wrong kind. When GDP falls six months in a row, it is termed a 'crisis'. People think that jobs and improved standards of living will flow from a growing economy – ignoring that so often a growing economy does not necessarily mean more jobs, let alone good quality jobs¹⁹ and that in recent years a lot of growth has gone to those who already have a lot.²⁰

Yet we often struggle to imagine an economy that is **better than growth**. And to suggest it is needed is often to invite being dismissed as 'fluffy' or 'naive' or 'reckless'. But when our planet is literally burning up²¹ and people are dying on our streets²² it seems naïve and reckless to think that business as usual can carry on.



Even once enough people are ready to engage in a conversation about building a wellbeing economy, there is the challenge of how to go about it and how to transition to a wellbeing economy. Transforming an economy is a complex process that needs to cover many sectors – so planning and helping people feel secure along the way is vital. Change is hard and people understandably hold onto what they know, especially those who derive status and privilege from the current set up. There will be new skills needed, new jobs and ways of working to embrace, new infrastructure to be built, new ways of measuring success to embed and new ways of working together to be forged.²³ In a wellbeing economy, some industries will not be as large as they are now (if they exist at all). People working for those industries will need stable pathways to move to new work and ways found to ensure their incomes are secure (the 'just transition' conversation that

¹⁹ <https://www.socialeurope.eu/the-ranks-of-the-working-poor> ; https://www.theguardian.com/global-development-professionals-network/2017/aug/15/the-future-of-jobs-is-decent-work-for-all-a-pipe-dream?CMP=Share_AndroidApp_Gmail

²⁰ <https://povertyinequality.scot/poverty-scotland/>

²¹ https://www.theguardian.com/commentisfree/2020/jan/03/we-are-seeing-the-very-worst-of-our-scientific-predictions-come-to-pass-in-these-bushfires?CMP=Share_AndroidApp_Copy_to_clipboard ; <https://theferret.scot/homeless-deaths-scotland-139/>

²² https://www.holyrood.com/news/view,fortyfive-homeless-people-died-in-glasgow-last-year-according-to-official-f_14821.htm

²³ See <https://wellbeingeconomy.org/oldwaynewway> for examples

unions, governments and others are exploring). Towns and communities that depend on these industries will also need help to adjust.

This is seen in the case of oil – at present, many people in Scotland are dependent on the oil sector for work, but science tells us that oil such as that in the North Sea needs to stay in the ground to prevent worse global warming than already happening.²⁴ So instead of ignoring this science because transition is hard, support needs to be given to ensure these workers are equipped to move into other jobs that will be needed in a wellbeing economy. For some of these new jobs many oil workers already hold relevant skills, such as off-shore wind. Other opportunities might require investment, new business support and more substantial retraining. But the opportunities are there. For example, a wellbeing economy would be one that was better at repairing things (what is termed a ‘circular economy’²⁵) than making and buying poor quality things that get thrown away soon after. More repair activity will need local craftspeople – it is not too hard to imagine our high streets and community centres seeing a return of artisans: alongside cobblers and tailors, repairers for our gadgets too.

Inspirations

Fortunately, there is a lot already happening that begins to build a more humane, more sustainable economy in Scotland and beyond. These are just some such ‘chinks of light’:

- In 2015, 193 countries signed up to the Sustainable Development Goals that put forward a vision of a world without poverty, with less inequality and in which production and consumption does not harm the natural world²⁶
- Scotland is joining with countries such as Iceland and New Zealand to collaborate in putting collective wellbeing at the heart of economic policy making²⁷
- Countries such as Costa Rica show it is possible to have a high quality of life without a large economy as measured by GDP²⁸
- Businesses are recognising that success requires them to think more broadly about their impacts and play a positive role²⁹
- A movement is growing, one made up of individuals, academics, businesses, young people, and civil society organisations all wanting to collaborate to build a wellbeing economy³⁰

²⁴ <https://www.carbontracker.org>

²⁵ <https://www.ellenmacarthurfoundation.org/circular-economy/concept>

²⁶ <https://sustainabledevelopment.un.org/sdgs>

²⁷ <https://wellbeingeconomy.org/tag/wego>

²⁸ <https://www.oecd.org/countries/costarica/Better-Life-Initiative-country-note-Costa-Rica.pdf>

²⁹ <https://www.nytimes.com/2019/08/19/business/business-roundtable-ceos-corporations.html>

³⁰ Wellbeingeconomy.org

- Scotland is already taking small steps that show change is possible and illustrate the sort of changes that are necessary to build a wellbeing economy:
 - The work of Zero Waste Scotland to promote a circular economy
 - The Business Pledge to promote businesses with more positive social impact
 - The National Performance Framework, planning for a wellbeing budget in 2020 (inspired by New Zealand)
 - Leading the formation of the Wellbeing Economy Governments partnership ('WEGo') to share, exchange and collaborate on economic policy for wellbeing
 - Scotland's climate change targets that are some of the most ambitious in the world
 - Attention to gender equality (such as via more paid child care)
 - Support for pro-social inclusive business models
 - Cities such as Glasgow and Edinburgh have strong climate change targets and both Councils have passed resolutions in support of the wellbeing economy agenda.

Crucial changes to build a wellbeing economy

To build a wellbeing economy, one that serves the 'good of the country' and ensures environmental, social and economic impacts are socially just and sustainable, requires a huge number of changes by a huge number of people and organisations.

Some of the most important 'leverage points' – those that enable other changes – to be explored might include:

- ◆ **A new headline measure of progress** for Scotland that is closer to what matters most to people and planet than GDP. With a new measure of our national success (which, coincidentally, the designer of GDP never wanted it to be), other priorities and decisions will follow. This will also encourage prevention (which avoids harm being done) rather than counting spending on cleaning up and healing as a good thing, the way GDP does
- ◆ **Rejigging the tax system** so it
 - a) rewards the sort of activities and businesses needed for a wellbeing economy (see the Appendix below) and so it rewards employment of more people (rather than more hours for those who already have them)
 - b) discourages activities which are harmful to a wellbeing economy such as unearned income (called rent³¹) and unsustainable activities such as polluting and wasting resources
- ◆ **Ensure prices capture full costs** and so are not misleading (for example, many polluting forms of travel do not price in their environmental impact

³¹ http://blogs.lse.ac.uk/politicsandpolicy/we-need-to-challenge-the-myth-that-the-rich-are-specially-talented-wealth-creators/?utm_content=buffer4331c&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer

and so are falsely attractive to consumers). This will also encourage better use of our resources via repair, sharing, co-ownership.

- ◆ **Incentivise business models and practices which are based on wellbeing economy goals** and are designed with these in mind – for example, worker owned cooperatives and social enterprises (which make money and are commercially viable, but which use the proceeds for wider social and environmental goals)
- ◆ **Reform the way money is created and finance system works** so it not so much about debt creation³² and so it directs financial resources to the sort of business activities and infrastructure needed in a wellbeing economy.³³

³² <https://www.theguardian.com/global-development-professionals-network/2016/nov/05/how-a-new-money-system-could-help-stop-climate-change> and <https://positivemoney.org/issues/debt/>

³³ <https://www.finance-watch.org>

Useful resources

<https://wellbeingeconomy.org/resources>

<https://www.thesolutionsjournal.com>

<https://www.cusp.ac.uk>

<https://www.kateraworth.com/doughnut/>

<https://policy.bristoluniversitypress.co.uk/the-economics-of-arrival>