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Measuring Wellbeing After GDP

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For decades, GDP – and efforts to maximise it – has sat at the heart of global economic orthodoxy. But as its shortcomings become increasingly clear amid planetary collapse and rising inequality, the need for an alternative is felt acutely. Can Europe take the lead in normalising a better, more sustainable wellbeing indicator?

The European Union's first aim is to "promote peace, its values and the well-being of its citizens". Yet the primary metric it uses for measuring progress captures none of these goals; quite the opposite, Gross Domestic Product (GDP) is hindering sustainable and inclusive wellbeing.

For over 80 years, GDP has been the dominant indicator for guiding policy. Europe is no exception; indeed, one reason GDP was adopted as the primary standard for comparing the size of national economies at the Bretton Woods conference in 1944 was to measure the cost of rebuilding Europe following World War II.

Today, economists, politicians, and the media still treat GDP as a proxy not just for economic "output", but for wider societal progress: the higher the GDP of a country, the better its standard of living must be. Yet the metric was never intended to measure what most people value, such as health, community, environment, equality, and quality of life. GDP simply quantifies the monetary value of marketed goods and services produced within a country's borders. What the metric omits – the wellbeing of people and planet – is far more consequential than what it counts.

This blind spot matters, because what gets measured shapes what gets managed. If GDP is the lens through which progress is judged, governments will prioritise economic output above all else, even when that output ignores – and potentially even undermines – the very foundations of wellbeing.

Take the illustrative example of an oil spill, which wastes non-renewable resources and causes immense damage to the surrounding ecosystems. Since ecosystems have no current market value, their decimation is not recorded by economic accounts. Conversely, wages for human labour used to clean a spill have a market value. The result of an oil spill is therefore recorded as a net positive for the economy. This is the consequence of GDP's methodology: it homogenises all exchange of money as positive, regardless of social and environmental impacts.

As the ecological crisis deepens, a metric of "progress" based solely on economic output is clearly not suitable.

Why GDP sticks

Most people can intuitively recognise the contradiction between endless economic growth – with the ever-increasing resource use and pollution it leads to – and the limited natural resources available in the closed ecosystem that is our planet. In 1973, American economist Kenneth Boulding famously said that "Anyone who believes that exponential growth can go on forever in a finite world is either a madman or an economist." One year earlier, the Club of Rome had published its influential report "The Limits to Growth".

Nevertheless, most national and EU economic policies are still geared towards growing GDP. There are several reasons why, despite widespread criticism, GDP persists as the dominant metric for economic progress.

First, GDP is extremely well established, both for ease of measurement and comparability. Details for how to collect GDP were published in 1953 by the System of National Accounts (SNA), the international standard set of recommendations for compiling measures of economic activity that ensures all countries use the same yardstick. Furthermore, data on GDP is available for all countries and is published quarterly, with records going back to 1960 for most nations. Through GDP, countries can track their progress over time and see how well they measure up to other nations. Having a metric reduced to a monetary value makes it easier for politicians, the media, and the wider public to understand. This is hard to replicate for more complex accounts of wellbeing.

Second, GDP serves the powerful. Some vested interests are able to produce short-term financial gain from the current economic system, even though this has often led to rising inequality and environmental degradation. Take the energy sector as an example. Renewable technologies are cheaper to deploy, and only require maintenance to continue producing energy thenceforth. But unlike the fossil industry, where money is exchanged for extracting, refining, selling, and burning fuels, renewables do not contribute immensely to national GDP statistics.

Public affairs firms' lobbying of politicians on behalf of fossil fuel interests has led to impressive results: in 2023, fossil fuel subsidies in the EU reached 111 billion euros. These subsidies ensure that companies in the sector continue to make large profits, which in turn feed lobbying efforts. As long as fossil fuels generate extraordinary amounts of money and wield considerable political influence, it is hard to overcome the vested interests of those who benefit from a GDP-centric economic model.

Finally, opposition to GDP appears fragmented. For almost as long as GDP has existed, a variety of actors – including think tanks, national bodies, NGOs, academics, researchers, and more – have been criticising its limitations and putting forward alternatives. Still, advancing a replacement and showing it to be not only superior to GDP but also better than hundreds of available alternatives is a lot trickier.

Building consensus

In a recent study, we offered a route to overcoming GDP's entrenchment. By mapping over 200 alternative wellbeing indicators, we found that these alternatives do not compete against each other or argue for wildly different criteria. Instead, there is strong agreement on the fundamental elements that should be included in any replacement to GDP.

Although these indicators differ in their time, country, culture, terminology, and methodological origins, underlying similarities keep reappearing. Finding the "sweet spot" between complexity and feasibility is essential in order for an alternative to GDP to be successful. Include too many components, and you create an indicator that is expensive to measure (potentially alienating developing countries with smaller statistical bodies) and difficult to understand for policymakers and the public. Over the course of our research, we identified 19 components that capture the fundamental similarities among the many available indicators. These include life satisfaction, health, life expectancy, housing, infrastructure, inequality, financial security, water and air quality, greenhouse gas emissions, crime, per capita GDP, and more.

While measuring productivity can be useful for tracking a country's development over time, GDP should be contextualised with other metrics rather than being pursued as an end in itself.

The impact of such a shift would be enormous. Policymakers would be encouraged to view policy in terms of the benefits it brings to society at large, and not solely based on its impact on economic output. For instance, the new measure would clearly identify an oil spill as a negative event, boosting GDP but damaging other components such as life satisfaction, health, infrastructure, and water quality.

Of course, a framework would need to be developed to appropriately measure each of these components. For example, a measurement of the "health" component could include criteria such as quality-adjusted life years, number of doctors per 100,000 people, child mortality, prevalence of mental illnesses, and hospital accessibility and average waiting times. Experts in every field would be tasked with developing meaningful criteria for each component of wellbeing, while politicians would carry out the task of communicating with the public and helping people interpret the new metrics.

Competitiveness redefined

Moving beyond GDP will require more than a strong alternative, and building consensus on such an indicator is a prerequisite for gaining political traction. A key step in this direction is to coordinate and strengthen existing institutional initiatives.

In Europe, several ongoing research projects are exploring ways to move beyond GDP. For example, Horizon Europe (the EU's research and innovation programme) funds initiatives such as Sustainability Performance, Evidence and Scenarios (SPES), ToBe, Models, Assessments, Policies for Sustainability (MAPS), Wellbeing, Inclusion, Sustainability & the Economy (WISE), and the MERGE project (which also supported our research on semantic similarity amongst alternatives to GDP).

At the international level, there are two major developments. The UN High-Level Expert Group on Beyond-GDP was called by UN secretary-general Antonio Guterres in 2025, and its recommendations are expected to be released this year. While the impact of this initiative is hard to predict, there is no doubt that the UN's taking an interest in the issue adds a degree of legitimacy to the beyond-GDP movement.

In March 2025, the latest System of National Accounts was published, updating (for the first time since 2008) the data relevant to the changing needs of economic policymaking. The newest edition includes, for the first time, chapters dedicated to collecting data on wellbeing and sustainability. There is no guarantee that this will lead to a shift in political focus, and countries take time to adapt their statistical bodies to the guidelines of the SNA (and that is if their national statistical agencies are well-funded enough to do so). Nevertheless, it represents further evidence of the shift towards including considerations outside of "traditional" economic accounting.

Europe needs to take the lead in this endeavour. At a time when it is struggling to define its identity in global politics, championing wellbeing, sustainability, and inclusion offers the EU an opportunity to be a world leader. International competitiveness has been front and centre of European debates, but if competitiveness is to be defined in the same old narrow terms of growing GDP and the policies that support it (cutting environmental and labour regulation, increasing natural resource use, reducing social expenditure), then we will suffer on the altar of misunderstood "progress". If, however, we shift our definition of competitiveness to focus on maximising sustainable and inclusive wellbeing, we can set an example for the world on what it means to live by the values that matter to us.

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