



A review of the National Performance Framework in light of the Stiglitz Report Recommendations

Introduction

The aim of this paper is to review the structure of the Scottish National Performance Framework (NPF) against the 12 recommendations set out in the Stiglitz Report,¹ as reviewed at the Round-Table's first meeting. The full NPF is set out in Annexe One of this paper.

The analysis focuses on the “high level Purpose targets” relating to the Purpose. We see the NPF, and in particular it's nine high level purpose targets as a basic dashboard. Taken together this set of targets are intended to help measure progress towards the Scottish Government's “Single Purpose” which is:

To focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

The Scottish Government describes these Purpose targets as “specific benchmarks for sustainable economic growth [which can also] ensure that growth is shared by all of Scotland.” The Government also notes that “Together, these targets help define the characteristics of the economic growth that we want to see – a growth that is sustainable, cohesive and which builds solidarity in all of Scotland's regions. They also set a whole new level of ambition for economic performance, not only over the lifetime of this term of the Parliament, but for the long term.”²

The nine Purpose targets

Indicator	Target
Economic Growth (GDP)	<ul style="list-style-type: none"> To raise the GDP growth rate to the UK level by 2011 To match the growth rate of small independent EU countries by 2017
Productivity	<ul style="list-style-type: none"> To rank in the top quartile for productivity amongst our key trading partners in the OECD by 2017
Participation	<ul style="list-style-type: none"> To maintain our position on labour market participation as the top performing country in the UK and to close the gap with the top five OECD economies by 2017
Population	<ul style="list-style-type: none"> To match average European (EU15) population growth over the period from 2007 to 2017, supported by increased healthy life expectancy in Scotland over this period
Solidarity	<ul style="list-style-type: none"> To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017
Cohesion	<ul style="list-style-type: none"> To narrow the gap in participation between Scotland's best and worst performing regions by 2017
Sustainability	<ul style="list-style-type: none"> To reduce emissions over the period to 2011 To reduce emissions by 80 per cent by 2050

¹ Also known as the Stiglitz-Sen-Fitoussi Report, or more formally the report of the Commission on the Measurement of Economic Performance and Social Progress. See www.stiglitz-sen-fitoussi.fr

² Scottish Government, 2007, Comprehensive Spending Review, Chapter 8

Indeed, the idea of reporting through a dashboard of indicators which can effectively convey a high level measure of progress is emphasised and supported by the Stiglitz Report. Inevitably a dashboard cannot tell the whole story, so the high-level indicators must also be disaggregated to an appropriate level to show, for example, the distributional effect across social grade, ethnicity, age, level of deprivation, gender, income, and whether the social and environmental footprint is positive or negative.

We would argue that both a dashboard and a full indicator set (Scotland's National Performance Framework also has **15 National Outcomes** and **45 National Indicators and Targets**; here we refer to the latter as National Indicators) are necessary to allow effective performance management, but that one can be a subset of the other. Therefore, our analysis will focus on the high level targets (called the "dashboard" in the following paper). However, references to the national outcomes and the national indicators and targets will be made to complete the analysis when necessary.

Moreover, through this analysis, Amartya Sen's capabilities approach will be emphasised. Indeed, the Scottish Government's Purpose has parallels to this, containing the goal of "flourishing". Sen insists that the key questions we should be asking are to do with how well people are able to function in any context (e.g. Are they well-nourished? Can they take part in the life of community? Can they find worthwhile jobs?).³ From this perspective, it is worth highlighting that Scotland's dashboard relies on the assumption that economic growth is the key driver to ensure capabilities for all of Scotland to flourish. However, this correlation is not always obvious as the following analysis will show.

Another relevant question is whether it is sufficient that the objective is to create "opportunities for" flourishing, rather than flourishing itself.⁴

As part of this paper we will also examine carefully the sustainability subset of the dashboard. It needs to be emphasised that the SDC departs from the Stiglitz Report in how we would recommend measuring and reporting on sustainability. Our view is that sustainability requires a separate and integrated approach. It means that environmental, social and economic objectives are mutually supportive, without one gaining the upper hand on the other. But it also means that simply using indicators to measure the current situation is insufficient. Instead sustainability monitoring requires also taking future well-being into account.

The following sections will reorder the 12 Stiglitz Recommendations into 7 challenges that have to be faced when measuring societal progress. We will assess the NPF with regard to these challenges and suggest further developments that have to be made.

3 Sen, Amartya (1998) 'The living standard'. Chapter 16 in Crocker, D. And T. Linden (eds) (1998) *The Ethics of Consumption*. New York: Rowman and Littlefield, 287-311.

4 See Annexe 2 of this paper for more background on Capabilities for flourishing.

Recommendations

From production to well-being ☹️

R1: When evaluating material well-being, look at income and consumption rather than production

This recommendation has its roots in the general consideration that, if we take the problem of measuring societal progress seriously, then our focus should shift from focusing on measuring economic production to wider concerns on well-being. In other words, GDP is not the relevant measure to assess what really matters for people, and the focus should be on appropriate measures of well-being. The focus has to be on human ends rather than on means to achieve it, as suggested by the capabilities approach. Material well-being is recognised by the Stiglitz Report as one of the central capabilities that can be measured through consumption and income.

The dashboard is not in line with this capabilities approach as it focuses on means to deliver the desirable outcomes rather than on human ends. The **economic growth** and **productivity** purposes are assumed to provide a range of outcomes including higher quality public services, better opportunities for people, widely shared employment, and high quality environment.

However, the assumption that economic growth effectively delivers these outcomes is to be questioned. Indeed, as underlined in *Prosperity without Growth*, economic growth in its current form is unsustainable as burgeoning resource consumption and rising environmental costs are compounding profound disparities in social well-being. This is also shown by the current status of Scottish performance, namely a decline in economic growth at the same time as an improvement in the sustainability target (CO₂ emissions).

Moreover, Scotland's dashboard still takes the GDP as a measure even if its limits as a good indicator of economic performance have been clearly recognised, notably by the Stiglitz report (First Part: Classical GDP issues), mainly because it does not show how growth is created. Indeed, destruction, crime and disease improve the GDP as it generates economic activity. And it led R. Kennedy to state that "*GDP measures everything, in short, except that which makes life worthwhile.*"

Finally, even if the dashboard still focuses on production rather than on well-being, it partially respects the recommendation of looking at material well-being as the **solidarity** purpose looks at increasing overall income and the **participation** purpose looks at increasing participation on labour market. However, with the capabilities approach in mind, it should be emphasised that focusing on increasing income and increasing labour market participation gives value to materialistic outcomes rather than to qualitative outcomes such as a decent level of material living standards or meaningful employment.

Summary Conclusion: Within a dashboard that focuses on well-being, other measures than GDP should be given greater priority to assess the material living standard component.

The household perspective 😊

R2: Emphasise the household perspective

By explicitly referring to how the Gross Household Disposable Income increases over years, the **solidarity** purpose embeds the household perspective. However, the Stiglitz Report goes one step further and recommends looking at the household adjusted disposable income. It implies taking into account the value of social transfers in kind that households receive from government. Since the UK Government's Atkinson Review,⁵ this calculation has been done by assigning monetary values to outputs delivered by the government (e.g. number of care services provided, number of students in a school) rather than inputs, in order to encapsulate changes in productivity in the public sector.

However, if the purpose of measuring services provided in kind is to emphasise the role of the government in fostering capabilities and sources of human flourishing, then neither an output nor an input measure is appropriate. A focus on outcomes delivered by the government is suitable. In that perspective, the **National Indicators** provide a good framework as they aim at improving public sector efficiency, people's perception of quality of public services, quality of healthcare experience.

Summary Conclusion: When measuring household income, it needs to be decided whether it is appropriate to include the government services as part of the material living standard component of well-being or whether they deserve a separate approach based on outcomes.

The distribution issue 😊

R4: Give more prominence to the **distribution** of income, consumption and wealth

R8: Quality-of-life indicators in all the dimensions they cover should assess **inequalities** in a comprehensive way.

Scotland's **solidarity** purpose target clearly focuses on reducing income inequalities through increasing both overall income, and income of the three lowest income deciles, whereas the **participation** and **cohesion** purpose targets emphasise the participation in the labour market (at the UK & regional level) as a means to support a more equitable distribution of the benefits of growth. These purpose targets are summarised in the strategic objective wealthier & fairer.

This approach assumes that inequalities should be tackled through increasing growth. However, the automatic link between wealthier and fairer is far from being obvious. Indeed, as demonstrated by many authors as well as by the World Bank,⁶ there is little or no evidence in favour of the Kuznets's hypothesis which states that as economy grows, levels of inequalities fall. Therefore, if the ultimate

⁵ The Atkinson Review was a review of the measurement of UK government output and productivity. See www.statistics.gov.uk/cci/article.asp?id=1144

⁶ Stymne and Jackson 2000, Goodman and Oldfield 2004, FT, 2006. China's poorest worse off after boom. Financial Times online: http://www.ft.com/cms/s/e28495ce-7988-11db-b257-0000779e2340,dwp_uuid%9c33700c-4c86-11da-89df-0000779e2340.html [Accessed 20 April 2007].

purpose of the Scottish Government is to tackle significant inequalities, the means to ensure it should be questioned more rigorously and better measures adopted.

It is worth highlighting that the labour market is often seen as the panacea to tackle inequalities. This tends to lead to a focus on inequalities of income, and fails to fit with the multi-dimensional approach recommended by the Stiglitz Report. Indeed, this multi-dimensional approach does not appear in Scotland's dashboard. It is only included in the **National Outcomes** ("*tackle the significant inequalities*"; however it does not refer only to income inequalities) and partially in the **National Indicators** ("*reducing number of working age people with severe literacy and numeracy problems*"; this implicitly refers to inequalities in education) which have clearly less impact on decision making than the purpose targets.

At this stage, it is worth highlighting that work undertaken through the Equality and Human Right's Commission's Equality Measurement Framework⁷ provides a good illustration of the Stiglitz Recommendations, as it is based on the capabilities approach to assess inequalities in all dimensions of well-being.

Finally, as the Government's Purpose consists in providing opportunities for all of Scotland to flourish, and as unequal societies are proved to undermine this purpose (see Wilkinson and Pickett, 2009), tackling systemic inequalities is vital.

Summary Conclusion: Measuring inequalities in the light of the Stiglitz recommendations implies recognising that relative income is more important than absolute income. In this perspective, measuring loss of welfare triggered by inequalities in all dimensions of quality of life should be undertaken.

The non-market activities issue ☹

R5: Broaden income measures to non-market activities

The purpose of the recommendation starts from the acknowledgment that many services that households produce for themselves are not recognised in official income and production measures, yet they constitute an important aspect of economic activity. The same is also true for activities of the third sector. A solution to a better recognition of the household and third sectors is to broaden income measures to include non-market activities through the use of satellite accounts.

Scotland's dashboard does not currently measure non-market activities, so fails the tests of the Stiglitz Report. However, the **solidarity** purpose could at least partly contribute to a better recognition of the third sector, since it encourages changes in the income differential between the lowest and highest paid occupations. Usually, as the third sector is labour intensive (see below), increases in productivity and thus in wages will not be significant, increasing the gap between the wages earned in the market economy and the third sector economy.

⁷ See Annexe 3 provided by the EHRC for the Round-Table's 2nd meeting.

Furthermore, by focusing on labour **productivity** (as GDP per hour worked), the dashboard tends to restrict the economic activity to its market side and therefore ignore the household and third sectors. However, the distinct features of the household and the third sector is that they are not-for-profit; employment of people is primarily on a voluntary basis; and, the personal and social services provided are labour intensive.

In other words, this sector is unproductive by conventional standards (it is recognised by economists as the Baumol's "disease").⁸ The quality of its output is more dependent on human interaction and could be undermined by the pursuit of productivity. Moreover, relentless pursuit of labour productivity often hits the meaningful work - the people's capabilities for flourishing - and the positive contribution to community that these sectors provide.

Secondly, by focusing on increasing labour market **participation**, the dashboard rewards competitive and materialistic outcomes and shift the balance of incentives away from those engaged in social services and voluntary work; even if these services are more inclined to deliver the capabilities for human flourishing than for example a simplistic "supermarket economy".

The only mention of these non-market activities in the NPF lies in the National Indicators, one of which aims at increasing the turnover of the social economy. However, the turnover refers to materialistic outcomes expressed in monetary terms and thus overshadows the direct contribution to well-being of such activities, and the human interaction which are a more fundamental characteristic.

Summary Conclusion: Measuring non-market activities (third sector and household activity) is part of the process of recognising a more rounded set of economic activities and "goods". However, the specific features that characterise this sector can only be measured if the direct contribution to well-being of these activities rather than the material output they generate is emphasised.

Subjective/objective measures 😊

R6: Measures of **subjective well-being** provide key information about people's quality of life. Statistical offices should incorporate questions to capture people's life evaluations, hedonic experiences and priorities in their own surveys.

R7: Quality of life also depends on **people's objective conditions and opportunities**. Steps should be taken to improve measures of people's health, education, personal activities, political voice, social connections, environmental conditions and insecurity.

These recommendations implicitly refer to the Amartya Sen's Capabilities approach (see Annexe 2). This approach relies on the assumption that the ultimate goal of politics is respecting the individual's ability to pursue and realise the goals that he or she values.

This approach has its roots in the philosophical notion of social justice and conceives a person's life as a combination of various observable *achievements* of each person (functionings), and assesses Quality of

⁸ Jackson, 2009, Prosperity without Growth, p.131

Life (QoL) in terms of a person's freedom to choose among the various combinations of these functionings (capabilities). While subjective states may be considered as being part of the set of capabilities taken into account, the capability approach emphasises that people may adapt to their life-circumstances. This need for adaptation makes subjective feelings inadequate as the *sole* metric for assessing QoL and therefore objective measures are also required.

While Scotland's dashboard only contains objective measures, its National Indicators complete the picture with numerous subjective measures (e.g. people's perception of quality of public services delivered, percentage of adults who rate their neighbourhood as a good place to live, perception of the crime rate, perception of Scotland's reputation).

However, further work on the dashboard would improve how it measures and reports on quality of life and capabilities.

Dealing specifically with Stiglitz' R8 to include a subjective measure, a recommended approach is to include an index of people's overall life satisfaction within the dashboard.

On R9, the objective measures in Scotland's dashboard refer mostly to people's set of opportunities within the economic environment (**economic growth, productivity, participation, solidarity**) while other freedoms are ignored (e.g. participation in political decision-making, joining organisations at work and in society).

Furthermore, indicators of people's objective conditions within the dashboard are limited (i.e. description of individuals' states such as life expectancy, education attainment). However, objective conditions are extensively included in the five strategic objectives, the National Outcomes and the National Indicators. These last two also contain references to people's set of opportunities which might be more appropriate and specific than the ones contained in the dashboard (*life chances for children, more and better employment opportunities, increasing business start-up rate*).

Summary Conclusion: A NPF should be such that it includes at least a general subjective measure, the objective opportunities are not restricted to the economic environment but include other freedoms and the indicators describe the state of objective conditions within the nation rather than the means to reach them.

Cross-cutting issues: linkage, aggregation 😊

R9: Surveys should be designed to assess the links between various quality-of-life domains for each person, and this information should be used when designing policies in various fields.

R10: Statistical offices should provide the information needed to **aggregate** across quality-of-life dimensions, allowing the construction of different scalar indexes.

The obvious implication of the R9 lies in how Scotland needs to better understand the causality and conditions which determine the state of societal well-being. The current dashboard assumes some strong links between its **Purpose** (opportunities for all of Scotland to flourish) and the means to reach this Purpose (increasing sustainable growth). This is also true for the **several purpose targets** e.g. securing a high quality environment through economic growth. However, those links are not always obvious so need to be explored more carefully, with the empirical research supporting the policy process.

This recommendation is also important for the overall coherence of the dashboard. The NPF is very large and eclectic, and a concern is over whether its effectiveness is diminished because of its heterogeneity. The concern is that there is a lack of information or interpretation highlighting causal links between the indicators, their relationship to Purpose, and/or hierarchies amongst the indicators used.

At this stage, it is worthwhile mentioning that the DPSIR framework has been used by some countries⁹ to present indicators in a comprehensive way. DPSIR stands for driving forces (D), pressure (P), state (S), impact (I) and response (R). This approach underlines the possible links between the social, environmental and economic components of development and helps to understand the interactions between the issues dealt.

Concerning, the R10, the most important aggregate index appearing in the NPF are the GDP (purpose target) and the ecological footprint (a National Indicator). Such indicators circumvent the problem caused by the richness of dashboards by synthesising the abundant and purportedly relevant information into a single number. However, their role should be limited to an easily understandable invitation at looking at the various components. With regard to the GDP, its ability to accurately measure and portray an aggregation of quality of life factors has been seriously questioned in the first section. The ecological footprint as an aggregate index of sustainability dimensions is analysed in the next section.

Summary Conclusion: Comprehensiveness of the NPF should be ensured through investigating the link between the several indicators/outcomes and through the elaboration/selection of relevant aggregate indexes as a headline which allow an overview of several components.

The wealth issue ☹

R3: Consider income and consumption jointly with **wealth**. Consumption possibilities over time (= one component of well-being) depends on both income and wealth.

R11: Sustainability assessment requires a well-identified dashboard of indicators. The distinctive feature of the components of this dashboard should be that they are interpretable as variations of **some underlying stocks**. A monetary index of sustainability has its place in such a dashboard, but under the current state of the art, it should remain essentially focused on economic aspects of sustainability.

R12: The **environmental aspects** of sustainability deserve a separate follow-up based on a well-chosen set of physical indicators. In particular there is a need for a clear indicator of our proximity to dangerous levels of environmental damage (such as associated with climate change or the depletion of fishing stocks).

As regards R3, the aim is allow us to better assess people's material living standards and the sustainability (i.e. future condition) of these living standards. As consumption depends on income and

⁹ Belgium (<http://www.plan.be/Desc.php?lang=en&TM=60&IS=57>), The Netherlands (<http://www.pbl.nl/en/publications/2009/Sustainability-Monitor-for-the-Netherlands-2009.html>). DPSIR has also been adopted by the European Environment Agency.

wealth, such an assessment requires an indicator of households' financial wealth. Scotland's dashboard clearly does not contain such an indicator as the **solidarity** purpose only aims at increasing overall income without any reference to wealth. Neither the National Outcomes nor the National Indicators refer to a household wealth indicator.

Firstly, it is important to emphasise the importance of consistency and taking an integrated approach required by sustainable development principles. In the NPF, and in particular its dashboard, the economic objective seems to gain upper hand over the other objectives. For example, it is stated that *Scotland's environment and natural heritage is a key asset and source of competitive advantage* (**sustainability** purpose) and that *a supply of education and skills that is both responsive to, and aligned with, actions to boost demand for skills is an action to be taken to influence productivity* (**productivity** purpose). Although the environment and social systems do rightly contribute significantly to well-being through the economy, they also contribute to well-being directly; something which is not reflected in the dashboard.

Secondly, whereas the sustainability purpose refers to a key environmental asset (greenhouse gas emissions) in physical terms (tonnes), and it does not tell how far we are from the environmental damage that would occur if a limit was breached. Critically, the tonnage of CO₂ emissions is not a very informative number if we do not have some reference for how many tonnes can be emitted each year without breaching recognised limits (a better indicator could now be developed by Scotland that references agreed carbon budgets and the cumulative reduction Scotland has committed to as part of its statutory target to reduce emissions to 80% of 1990 levels by 2050).

Thirdly, the sustainability target only considers climate change. While this is an important issue other key environmental assets such as biodiversity are not measured. This lack might be remedied through adjusting National Indicators which measure to biodiversity, protected nature sites and ecological footprint. However, there is an obvious lack of comprehensiveness in the choice of these measures, and they do not embed the notion of environmental limits, except for the ecological footprint.

On the issue of measuring ecological footprint, the Stiglitz report (p. 70) highlights that as a composite index, its role in a dashboard should be restricted to an invitation to look more closely at various components and to give us a general picture of how far we are from sustainable targets.

This means that a comprehensive composite index is required so that current and predicted future environmental performance - and their impacts on well-being – is better understood. We recommend the use of a hybrid approach to deal with the complexity of measuring sustainability, namely a limited number of indicators – a “micro” dashboard –based on a clear notion of what sustainability means.

The relevant test for whether the dashboard accords with the Stiglitz Report recommendations and effectively measures sustainability could be summarised as follows:

assuming we have been able to assess what is the current level of well-being, the question is whether the continuation of present trends does or does not allow it to be maintained.

This question draws attention to what resources we have at our disposal today, **and** onto how we manage these in ways that make it possible to maintain and further develop this resource over time.

On that point, the NPF fails Stiglitz' R11 because the current sustainability target (made up of two climate change targets) is made up of one single indicator which does not reflect actual limits or stocks, and which excludes any other type of stocks which underpin human well-being, namely financial, produced, human, and social capital (as classified by the OECD).¹⁰

On this perspective, the Scotland's Sustainable Development Indicators¹¹ better followed the Stiglitz recommendations as they measure several assets which underpin human well-being (economic, human,¹² social, natural). Concerning the environment assets, they are reported in physical terms. Moreover, both of them (marine, river quality) explicitly set a target that has to be reached to avoid environmental damage.

Summary Conclusion: The NPF should assess the sustainability of the current well-being through a wide range of indicators which assess whether the continuation of present trends does or does not allow it to be maintained. It requires an extensive measure of the resources underpinning human well-being, including economic, social, environmental stocks.

Conclusion

An important introductory note is that the National Performance Framework suffers from a lack of homogeneity. Even if the Government's Purpose is quite clear, the linkage between the dashboard (high level targets) and both the National Outcomes and the National Indicators and Targets are unfortunately not such that one could be considered as the sub-set of the other.

Reviewing the NPF against Sen's Capabilities approach, it can be seen that the NPF has the potential to follow this approach because it already seeks to embed as its main purpose the end goal, namely "opportunities for all of Scotland to flourish". Opportunities could be taken as equivalent of providing "abilities" or "capabilities". However, this potential could be undermined by the fact that the dashboard focuses on the means rather than on this end, because of the prevalence of high level targets linked to measuring production and GDP.

In its annual assessments, the SDC has been critical of the Scottish Government's focus on sustainable economic growth rather than the end goal of a flourishing Scotland. Perhaps the Government's reluctance to focus on flourishing stems partly from its lack of definition. This is maybe demonstrated by the fact that its targets (in what we refer to as its dashboard) are primarily focused on economic factors.

Economic growth is indeed taken as the panacea to ensure flourishing. The main message of the dashboard could be summarised as follows:

¹⁰ UNECE/OECD/Eurostat Working Group (2008), *Measuring Sustainable Development*, p.5. New York and Geneva: United Nations.

¹¹ These indicators were published in June 2006 to follow Scotland's 2005 Sustainable Development Strategy *Choosing Our Future*. Their use continued up to February 2009, but are now not reported against. See www.scotland.gov.uk/Topics/Environment/SustainableDevelopment/measuring-progress/background

¹² An assessment of Human capital has been set up by the ONS in autumn 2010 (ONS (2010), 'Measuring the UK's Human Capital Stock', London: Office for National Statistics). However, human capital is only reported in monetary terms and therefore only refers to the economic aspects of sustainability. The Scottish Human Capital Indicators shows some similarities with the Canadian measurement of human capital sustainability, that is more in accordance with the integrated approach required by SD (CSLS, *The development of indicators for Human Capital Sustainability*, McGill University, Montreal, June 1-3, 2001).

*As far as we have **economic growth**, which supposes a higher **productivity**, then income for all could be increased and shared equally among the deciles (**solidarity**) and the regions (**cohesion**). This implies however a growth in **population** as well as an increasing **participation** of people on the labour market.*

However, it is increasingly recognised and understood that economic growth and well-being do not necessarily go hand in hand.¹³ Therefore, if we acknowledge that economic growth and its derivatives do not automatically deliver Scotland's stated Purpose, a relevant question is whether they still deserve a central place in a dashboard?

On the other hand, if we assume that economic growth is still an appropriate measure - e.g. to generate greater and more widely shared employment or to change the income differential between the lowest and highest paid occupations - then, we have ask if measuring economic growth is objectively neutral in how it supports delivery of the Purpose. From this perspective, it would make sense to specify the qualitative outcomes that we want growth to provide (e.g. meaningful employment, less polluting production processes, prevention of stress, diseases and insecurity, well-built sense of community). These specified outcomes could then make up measures that are contained within a Scottish dashboard. This approach would better accord with Sen's Capabilities approach and the Stiglitz Report than the current dashboard manages.

Another critical point is that the Scottish Government's National Outcomes provide a more sophisticated definition of a flourishing Scotland. However, these Outcomes do not link easily to the overall Purpose targets (which we have called a dashboard) that sit above them, or the National Indicators that sit beneath them. This confused hierarchy needs to be better structured. The primary focus needs to be the high level targets which clearly have the greatest political traction.

Finally, it is worth highlighting the fact that the Scottish Government has already made an important distinction between economic growth and sustainable economic growth (simply characterised this could be between any growth and better or good growth).

Its assumption is that if growth is sustainable (**sustainability**), then the issue regarding the link between growth and its ability to generate flourishing could be resolved. Unfortunately, this is not clearly obvious. As an illustration, the current status of Scotland's performance shows a decline in economic growth coincident to an advance in sustainability targets. Once we have recovered from the economic crisis, would this improvement remain? A first step is to acknowledge that sustainability is not only about reducing greenhouse gas emissions but a wider understanding of future stocks (including economic, environmental and social ones).

Sustainability implies asking ourselves: *What is the (best) future welfare development we can expect to achieve given the present day starting point?* Sen's Capabilities for flourishing (which the Stiglitz Report relies heavily upon) are a good starting point from which to define what is present-well-being. But as the SDC has previously highlighted in *Prosperity without Growth*, this notion has to be interpreted as a range of bounded capabilities to live well. This means living within certain clearly defined limits, and a critical limit is the finite nature of the ecological resources needed to sustain a good quality (human) life on earth.

¹³ See IRES, Cassiers, I., Delain, C. (2006) 'La croissance ne fait pas le bonheur : les économistes les savent-ils ?', *Regards économiques*, no 38. Belgium : Instituts de Recherches Economiques et Sociales.