

The Triple Test



Integrating economic, environmental and social policy

Who are we?

Relationships Foundation, established in 1993, is a Cambridge-based independent think tank seeking a better connected society.

What do we do?

We study the effect that culture, business and government have on relationships. We create new ideas for strengthening social connections, campaign on issues where relationships are being undermined, and train and equip people to think relationally for themselves.

How do we work?

We work with a wide range of leaders in politics, business, academia and public services to implement relational ideas. Our approach goes beyond the traditional left-right political distinction, working with any party or group that wants to engage with us.



Acknowledgements

This work draws on material first published by the Relationships Forum Australia and the Relationships Foundation as *Stating the Obvious?*

Authors and Contributors

Paul Shepanski, Executive Director, RF Australia
Dr Michael Schluter, Chairman, RF International
John Ashcroft, Research Director, RF
Dr Bill Hurditch, Vice-Chairman, RF Australia
Michael Trend, Executive Director, RF
Peter Lynas, Researcher, RF

© Relationships Foundation, January 2009

Contents

Introduction	1
1. The case for the Triple Test: an overview	3
2. The changing face of government	6
3. The next step: True National Wealth	9
4. Measuring True National Wealth	14
5. Assessing the contribution of policies to building True National Wealth	24
6. Governing for True National Wealth	25
Notes	27

This report is the first in a series on wellbeing. Future reports will look at the benefits of relationships when they work well and the costs that arise when they go wrong. The series will include conceptual material on how and why relationships work and specific policy proposals to support and empower relationships in areas such as debt and housing.

The Triple Test

Governing for True National Wealth

Introduction

As the United Kingdom enters a pre-election phase there is a sense of unease in the electorate about the best way forward. In the front of many people's minds are anxieties about the world economic situation and the effect of the failure of financial institutions on their daily lives. This is understandable but it doesn't mean that other recent areas of great concern to voters have gone away. In particular, we shouldn't lose sight of deeply-felt concerns about social issues which have become an increasing feature of our national life over the past decade, one of which has been that human and social relationships have suffered in the mad dash for growth.

In light of this the Relationships Foundation want to put a 'Big Idea' to the political parties and hope that the voters will increasingly ask the parties to subscribe to its basic premise: that policy development, proposals for legislation, and government action should all be subject to a triple test – economic, environmental and social: the Triple Test.

A single test – the economic test – has dominated political debate for decades past. Recently, however, policymakers have begun to move towards a second test by recognising the vulnerability of the environment and seeking the tools necessary to address that vital sphere of life in their assessments. We argue that we now need to go further and add to this double test a third element – the social test.

The Triple Test

This would truly lead to integrated public policy, what we define in this pamphlet as True National Wealth.

We hold that non-economic factors are not yet sufficiently integrated into the determination of policy; that environmental and social goals are typically considered of secondary importance. Significant social problems are often left unattended as the dominant economic framework for prioritising and implementing policies fails to acknowledge the legitimate claims of other critical criteria.

The social aspect of ‘The Triple Test’ is fundamentally about relationships. Fifteen years ago the Relationships Foundation recognised that relationships were often undermined in organisations, public services and policy decisions. Our research has shown that the essential building blocks of a good society are good relationships, from family and community to public service and business.

Public policy is never neutral and we believe that policy makers and implementers should always test their proposals not only to ensure, as far as is possible, that these do not damage existing relational links, but also to see if ways can be found to encourage people increasingly to connect with each other in the public sphere. Strong communities and extended families can build financial and social capital, increasing wellbeing and reducing long-term pressures on public spending.

The Triple Test ensures a long-term integrated approach which is in the interest of the voters and politicians alike. The Relationships Foundation’s relational proximity analysis provides a sound starting point to ensure that social considerations play a full part in integrated public policy. The politician with the vision and leadership to advocate for the Triple Test can establish an enduring relationship with the voters, shaping the political landscape for the next generation.

Michael Trend, Executive Director, Relationships Foundation

1 The case for the Triple Test: an overview

A perplexing feature of many modern Western democracies is that despite years of sustained economic growth, people have become cynical and jaundiced about the performance of their governments. The 2007 general election in Australia showed the palpable unease of the electorate. Despite overseeing an unprecedented period of economic prosperity over the preceding decade, the government of John Howard was defeated. In the United Kingdom also, the recent period of prolonged growth saw a heightening of concerns about issues other than the economy.

This discontent brings into focus the question of whether our governments are effective in serving the interests of those who elect them. More specifically, the suitability of the current policymaking paradigm, centred on economic analysis, is brought into question. Policymakers have begun to recognise the importance of the environment in public debate. But the potential social effects of policies generally are admitted only insofar as the ruling economic assessment framework is able to accommodate them.

The common approach taken by mainstream economists today is to attempt to accommodate 'externalities', such as potential social and environmental outcomes, within an overarching economic construct. Where possible, they use the mechanics of markets to address spheres of activity where markets do not operate or where markets are perceived as 'failing'. This approach is unsatisfactory because it tends to force artificial 'pricing' of non-economic outcomes or demands a relative weighting of factors that are incommensurable.

The substantial benefits of economic growth are undisputed. However, there has been a dawning awareness in the Western world of the shortcomings of seeking to govern a country from a predominantly economic perspective. Economic prosperity is no longer viewed as an end in itself.

There is growing pressure for governments to broaden the agenda, to accommodate more directly the 'non-economic' key areas affecting those they represent. An approach to public policy that more explicitly integrates environmental and social dimensions is required. Key to achieving such integrated public policy will be the adoption of a more appropriate form of assessment of public policies and their outcomes.

We suggest this approach: that all public policies be assessed according to their contribution to what we have called 'true national wealth'. True national wealth recognises the validity of progress inherent in all three areas of national life – economic, environmental and social – without requiring artificial conformance with an economic construct.

We want to see an integrated public policy that seeks to build true national wealth in which individual policies are assessed along all three dimensions: economic, environmental and social. Only when all three components of true national wealth are considered in concert can assessment of public policies consciously target progress, as defined by the people those policies are intended to serve.

Measures of national economic performance and wealth generation have continued to be developed and refined over the last two centuries. Today, measures such as the rate of change in output, measured by growth in Gross Domestic Product or Gross National Product, are universally agreed and well understood.

In the field of environmental measurement and assessment, major strides have been made over the past 25 years. A broad consensus has been reached with regard to the aspects of the environment that

should be measured and what gauges and methodologies should be employed.

Unlike the economic and environmental dimensions, there is, as yet, no broadly agreed, comprehensive model for assessing social progress. This is a serious impediment to the making of informed decisions by government. Whether or not measures are in place, the social impacts of public policy are felt.

In particular, existing measures concerning the way we live together – at home, in the workplace and in the general community – tend to be relatively abstract and distant from the quality of the underlying relationships that are at the core of our social cohesion and wellbeing.

We offer here an analysis of why establishing the Triple Test would be a practical step to addressing many persistent problems in our fast-changing world.

2 The changing face of government

The critical issues that shape the political agenda shift considerably over time – sometimes quite swiftly.

Philip Bobbitt, a leading expert on constitutional law and theory, has traced how the core role of the state has evolved over several centuries from protecting territorial integrity to providing welfare, and from there to enabling citizens to engage in global markets. And, of course, politics has always provided a battleground for competing groups, whether they be landowners and peasants, owners of capital and workers, or social conservatives and liberals.

In the Twentieth Century the left v right divide dominated politics in the UK and throughout much of the world. Over the past two decades, the focus of the left has shifted towards social liberalism, a more general concern that the welfare of communities – including the health of social networks that comprise them and the environments in which they live – be balanced with upholding the rights of individuals within those communities. The right has moved towards social conservatism – advancing opportunity and ownership for all, social mobility and civic responsibility.

At the same time, pragmatism has gained favour in those national political systems dominated by two parties. Progressively, differentiation along the traditional left-right spectrum has given way to a form of politics where the major parties are no longer clearly differentiated. Today's 'left wing' political leaders are now often economic conservatives.

In 1992, Bill Clinton's successful Democratic election campaign was founded on his recognition of the fundamental requirement of good economic management. Hence the catch-cry of his campaign headquarters during the election: 'It's the economy, stupid!'

There are powerful reasons why economic outcomes have dominated as the primary yardstick of domestic policy on this shared central ground:

- A strong economy has provided opportunities and benefits to a broad cross-section of the population. As the economic tide has lifted all boats, large and small, the shared interest of the traditional working class has dissipated. Widespread private pension provision means that many more people than before have a common interest in the performance of big business.
- A strong economy has helped sustain high levels of employment. There is recognition across the political divide that unemployment is a serious social ill, contributing to a range of other problems in society. Keeping unemployment and the fear of unemployment low, is one of the highest priorities in the development of public policy.
- Economic gains and losses are readily measured and quickly felt by the electorate, which has shown itself to be quick to punish adverse outcomes.
- Consensus on what constitutes good economic management, availability of timely information regarding inputs and outcomes, and a mix of monetary and fiscal tools to stimulate or dampen the economy, together provide the necessary means for national governments to take action.
- To a degree, 'non-economic' factors can be included in economic assessment. Economic analysts recognise the potential for so-

The Triple Test

called 'market failure' – non-financial negative impacts of public policy.

- To some extent, economic modelling provides the opportunity to accommodate such outcomes, thereby 'internalising the externalities'. Environmental, social and family impact statements are other means of incorporating these elements into a predominantly financially driven methodology.
- Sticking to an economic agenda reduces the risk that government will stray into areas that are the realm of personal responsibility. Maintaining focus on economic, rather than environmental or social, outcomes lessens the likelihood of government 'over-regulating' and moving towards a 'nanny state'.

However, at the same time, there has been a dawning awareness in the Western world of the shortcomings of seeking to govern a country from a predominantly economic perspective.

3 **The next step: True National Wealth**

Too much and too long, we seem to have surrendered community excellence and community values in the mere accumulation of material things.... Gross national product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages; the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage; neither our wisdom nor our learning; neither our compassion nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile.

Robert Kennedy, 1968

Few would disagree with Robert Kennedy's observation made some 40 years ago that economic output alone is a poor measure of a nation's wellbeing, character or true wealth. Still today, the lack of integration in public policy can be seen in the language used. The economy is the place of *production and wealth generation*. Social policy is spoken of in terms of *public spending and welfare*. And environmental policy is seen in terms of *mitigating damage, sustainability and the protection of natural resources*. The social and environmental dimensions of policy are not seen as contributors to, or components of, growth or wealth. Yet the environment and society are prior to, causative of, and necessary to sustaining the economy.

The mood is changing. Recently, there has been growing pressure for governments to broaden the agenda, to accommodate more directly the other key areas affecting those they represent – specifically, those factors having a negative impact on the environment and social relationships.

There are four identifiable approaches to including assessment of 'non-economic' elements (protecting the environment and the promotion of social objectives) in the assessment of public policies.

1. Recognising the economic contribution of 'non-economic' factors

Economists generally agree that there is more to a government's role in maintaining and building a country's wellbeing (quality of life or welfare) than the straightforward promotion of material prosperity. The first classical economist, Adam Smith, saw the 'invisible hand' of the market operating for the public good. Nonetheless, he saw benefit in a government intervention to ensure that its people were well educated. But his intention in this regard was ultimately economically motivated: to ensure that an appropriately skilled labour force could deliver maximum value for society.

Today, it is broadly agreed that such an approach is inadequate because it fails to recognise the *intrinsic* value of aspects of wellbeing beyond their contribution to economic wealth. So education is more than increasing the value of 'human capital'; it is about personal development and the ability to contribute to social life in the community.

2. Seeking to incorporate 'non-economic' factors in economic analysis

The common approach taken today by mainstream economists is to attempt to 'internalise externalities' by including factors such as environmental and social outcomes into economic analysis. The UK Treasury's *Green Book* and the Australian Treasury's Wellbeing Framework demonstrate how core government departments seek to take non-economic aspects of progress into account. So, the Australian Treasury writes:

Treasury has developed a wellbeing framework to underpin analysis and advice across the full range of our public policy responsibilities.... Consistent with Treasury's grounding in the intellectual history of economics, the Treasury wellbeing framework draws primarily on the methods of welfare economics and the related philosophical tradition of utilitarianism.

This approach seeks, where possible, to use the mechanics of markets to address spheres of activity where markets do not operate or where markets are perceived as 'failing'. At the project level, non-economic factors are often transformed into financial data so as to contribute to a single criterion for project evaluation. Techniques to establish the monetary values of potential social or environmental impacts generally involve the inference of a price 'through either a revealed preference or stated preference approach', as the *Green Book* notes.

To give just one example, the monetary value of an amenity such as peace and quiet may be analysed by comparing the price of two houses in contrasting locations – one with peace and quiet and one without. Of course, in practice it is impossible to identify identical houses in different locations, and the values of homes in different localities will vary according to other factors, so that the difference in house prices due to the environmental amenity is, at best, a rough estimate.

Traditional cost-benefit analysis and its derivatives are also often used to evaluate the desirability of governments intervening in markets. The costs and benefits are evaluated in terms of the public's willingness to pay for them (benefits) or willingness to pay to avoid them (costs). The guiding principle is to list all the parties affected by an intervention and place a monetary value on the effect the intervention has on their welfare, *as they would value it*. However, there is no easy way to compute the value of such factors as loss of reputation, risks of project failure, the value of human life, and various forms of property damage. And how a person feels today about an intervention may not be the same as how he or she may feel tomorrow.

The UK economist John Kay has made a strong case against valuing the social and environmental dimensions as simply ‘economic externalities’ and highlights the risks of pushing the agenda back towards the primacy of economic goals. In his essay, *The Failure of Market Failure*, he asserts that:

The market failure model supposes that a social welfare function can be defined, and that it should be the basis of policy decisions. The existence of such a function requires that not just for individuals, but for society as a whole, there exists a coherent, consistent preference ordering that politicians must first divine and then maximise. But this formulation is a misunderstanding of the nature of choice in a democratic society. There is no plausible means of constructing such a preference ordering - not by the aggregation of individual preference, nor by the imposition of some idea of a general will - only a process of mediation between often compatible but sometimes conflicting views on specific policies.

3. Attempting to develop a single index of national progress that integrates the various dimensions of progress

Recognising the appeal of having a single indicator as an alternative to Gross Domestic Product, some economists and philosophers have attempted to formulate all-encompassing measures of national wellbeing. A leading example of this is the UN’s Human Development Index (HDI).

Economist Amartya Sen and philosopher Martha Nussbaum have proposed that capabilities and freedoms provide a unifying principle under which all aspects of the human condition may be gathered. Unlike the measurement of GDP, such an approach is not prescriptive; it does not assume that *more is more*. Although economic output is recognised as important and necessary to provide the capacity for individuals to buy goods and services, by including capabilities that encompass the whole of life, such a model admits the value of non-economic motives and outcomes.

However, single index measures such as HDI remain fraught with difficulty. Given the very different nature of economic, social and environmental outcomes, it is practically impossible to achieve consensus of the relative weighting of outcomes. Moreover, a single measure presumes the possibility of a simple answer to a complex set of questions, inevitably providing misleading signals.

4. A fourth approach: separate assessment of the dimensions of progress

Separate assessment is desirable because it recognises that the dimensions of progress are ‘interdependent and mutually reinforcing’ but that it is impractical and ultimately unhelpful to distil a single measure. In the UK, the Office for National Statistics (ONS) made societal wellbeing the theme of *Social Trends* 38. The paper acknowledges that overall wellbeing should reflect health, education, culture, safety and a sense of community, among other things, but that a shared view on what to include and the value given to each area has not yet arisen.

So, in today’s policymaking context, having been freed from the restrictive focus of left v right politics to be able to concentrate on sound economic management, the next step for government is to move to managing for true national wealth. Governing a nation to build its true wealth – economic, environmental and social – is the appropriate primary role of government, rather than to focus on maximising production and consumption as indicated by measures of economic output such as GDP per capita.

4 Measuring True National Wealth

What gets measured gets done

Modern proverb

‘Wealth’ and ‘progress’ are defined in different ways according to the particular nature of each of the three dimensions – economic, environmental and social. Accordingly, measures pertinent to each dimension must be applied.

Economic and environmental measures

Measures of national economic performance and wealth generation have continued to be developed and refined over the past two centuries. Today, measures such as the rate of change in output, measured by growth in Gross Domestic Product or Gross National Product, are universally agreed and well understood. Over the course of the economic cycle, the primary macroeconomic measure in most or all high-income countries is trend productivity growth, which is the estimated underlying growth in productivity over the economic cycle.

In the field of environmental measurement and assessment, major strides have been made since 1983 when the findings of the Brundtland Commission were released. Of course research continues, but a broad consensus has been reached with regard to the aspects of the environment that should be measured and what gauges and methodologies should be employed.

Environmental theory holds that, in sum, it is impossible for human activity to have a net positive impact on the natural environment.

Therefore, appropriate measures reflect the need to protect the environment and allow for sustainable development on the economic and social dimensions. The Brundtland Commission focused on a definition of *sustainable development*: ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs.’ Subsequent work in this area, such as the Global Reporting Initiative, have continued in this vein.

At the same time, it is fitting to speak of environmental assets in terms of natural or environmental wealth, thereby contributing to our shared stock of true national wealth.

There are now many sets of environmental indicators available to gauge the various aspects of environmental wealth. The UK Environment Agency uses a list of 68 indicators based on the sustainable development strategy *Securing our Future*, launched by Tony Blair in March 2005.

Social measures

Unlike the economic and environmental dimensions, there is as yet no broadly agreed, comprehensive model for assessing social progress. There are no equivalent overarching concepts in the social sphere that mirror economic principles such as efficiency, productivity and freedom from market distortion – the mechanisms of economic growth. This is a serious impediment to the making of informed decisions by government. Whether or not the government recognises the social impact of its policies, that impact will be felt.

Examples of recent UK policy initiatives where social analysis was needed:

- Titan prisons: these mega-prisons have been criticised for going against the established benefits of smaller prisons closer to prisoners' homes, which allow better interaction between

prisoners and family/prison staff. Anne Owers, HM Chief Inspector of Prisons, has said: 'We inspect against our four tests of a good prison—that prisoners are held safely, treated with respect, engage in purposeful activity and are prepared for resettlement—and it is very evident, when we look at those assessments, that small local prisons do better than large ones, currently.' That is because they provide an environment in which people are known, in which relationships can develop, in which people are often closer to home.

- Polyclinics: whilst there are some potential benefits to these large one-stop-shop health centres, patients will often need to travel further and are less likely to see the same doctor on a regular basis. The Patients Association is concerned that the polyclinic proposals are in danger of jeopardizing the patient-doctor relationship, a central plank of effective and personalized care. The clinical benefit of doctor-patient continuity cannot be underestimated as well, especially for patients with long-term or complex conditions.

There appear to be a number of reasons why social measures are not as well developed and widely used:

- Social objectives involve contested value judgements. Concepts such as growth (for the economy) and sustainability (for the environment) are not easily transferred to the social realm.
- Social inputs and outcomes are not as readily given to quantitative assessment as are economic and environmental factors.
- Behavioural outcomes can be difficult to predict.

- The lack of an agreed model for evaluating social progress means that those seeking to develop metrics do so in isolation from a solid, tested framework.

Contribution of Relational Thinking

Relational analysis^{*} provides a means to move forward by pointing towards:

- Identification of key groups of relationships in the community
- A preliminary set of relational indicators specific to each of the groups
- An understanding of the underlying characteristics of relationships that contribute to social wealth
- Insight as to the mechanisms by which public policy can affect the underlying attitudes and behaviours that determine the quality of relationships.

We count eight key sets of relationships within the community. Relevant indicators of relational wellbeing can be identified for each group:

1. Nuclear and extended families. These relationships are a key component of individual wellbeing and include specific forms of inter-generational relationships. Important issues include the impact of working hours (total hours, and extent of unsocial hours) on time spent together with partners and children, relocation that breaks up extended families and levels of social support, and the interaction of work and family stress.

* See page 28 for a fuller description of Relationships Foundation's analysis.

- Relevant indicators: intra-family trust/commitment, marriage rate, divorce rate, birth rate, levels of household debt.
2. Neighbour and community relationships. Deficiencies in this area may be characterised by high levels of anti-social behaviour that diminish quality of life, greater risk of loneliness and isolation for elderly people in single person households, low levels of trust, reduced associational activity, and weak bridging and bonding relationships.
 - Relevant indicators: social isolation of older people, number of contacts per week, percentage who feel lonely, intra-community relations, crime levels, proportion knowing names of neighbours, incidents of vandalism, percentage drug addiction, suicide rate.
 3. Between richer and poorer neighbourhoods. Social solidarity can be threatened by extremes of inequality, segregation of communities by income, and reduced willingness to fund services that are seen to benefit only 'others'. In the UK, policy on building sustainable communities has encouraged the dispersal of social housing amongst new private developments to limit the geographic isolation of richer and poorer communities. Schools are recognised as an area which has the potential to influence inclusion or separation.
 - Relevant indicators: levels of income inequality within defined geographic areas, mix of housing tenure within defined geographic areas.
 4. Between genders. There have been significant changes in gender roles and relations over the past thirty years. The roles of men in the home and women in the workplace have been greatly

expanded, but there remains unease at the rate, nature and extent of change.

- Relevant indicators: gender ratio at different educational levels, differing pay scales and job opportunities, flexible working arrangements.
5. Between ethnic (and other) groups. Issues of integration and race relations have been brought to the fore by immigration. Since September 2001 and subsequent military operations in Afghanistan and Iraq, relations with some Muslim communities have been a particular focus of concern. Segregation along religious, ethnic or other lines within the community can be reinforced or challenged by the level of diversity and inclusion within the workforce.
 - Relevant indicators: inter-racial/ethnic relations, incidents of racial/ethnic violence, comparative income/education levels.
 6. Inter-generational relationships. The impact on the choices and resources available to future generations is a key element of sustainability. There is a fiscal dimension to the relationship through national debt and welfare commitments as well as an environmental dimension. The social aspect includes both the current state of relationships, as well as the social capital, or possibly cycles of disadvantage, bequeathed to the next generation.
 - Relevant indicators: wealth transfers between generations, levels of contact between children and grandparents, attitudes of the elderly towards youth, and vice versa.
 7. Local political and other institutional relationships. Social capital theorists have focused attention on the importance of the health

of institutions for social and economic progress, as well as for the protection of the environment.

- Relevant indicators: trust in institutions, membership of political parties and Trade Unions, participation in local elections, levels of volunteering – eg school governors, numbers of cases of fraud, corruption, censures by standards offices.
8. Employer-employee relationships. These relationships are of particular concern where unrestrained power differentials create potential for exploitation. Purposeful work, opportunities for personal development, job security, employee welfare, health and safety, as well as provision for old age, incapacity and unemployment are all important considerations.
- Relevant indicators: workplace relationships, extent of strikes and absenteeism, pay differentials within organisations, amount of unsocial working hours.

Indicators of outcomes, such as those outlined above, describe the health of relationships in society. However, they provide little guidance on how best to support relationships or on how to address specific social problems.

What can be done

The Relationships Foundation has suggested that social capital is best understood by studying the relationships that constitute it. The Foundation has developed an intellectual framework – the Relational Proximity Model – which provides descriptors of relationships that are given to objective measurement and is a sound starting point for the

matters under consideration here.* The model explores issues of connectedness, continuity, breadth, power and purpose in relationships. With an understanding of the underlying conditions that support strong interpersonal relationships, it is possible to assess the extent to which policies promote those fundamental attitudes and behaviours.

The choice is not between relationships and something else – we cannot live and work outside relationships – but between different kinds of relationships. Policy does influence relationships and should do so intentionally. Our research has shown that policymakers can seek to establish and reinforce underlying attitudes and behaviours in three main ways:

1. By encouraging people to value social relationships
 - Providing incentives for behaviour that fosters relationships in each relational grouping
 - Signalling the importance of relationships (and thus positively reframing social norms)
 - Educating and informing people about the value of relationships in the different spheres of life
2. By enabling people to build relationships, adopting policies that
 - Protect time for social relationships
 - Enhance the role of physical places and rootedness as the context for relationships
 - Strengthen the institutions within which people can relate
3. By providing support where relationships are weak or where support is currently impeded
 - Greater financial provision so carers have more time to care

* See page 28 for more on the Relational Proximity Model.

- Providing financial advice and support to empower weak relationships

All policy measurements are difficult to determine

Although the necessary measuring criteria are at a relatively early stage of development, relational indicators will not necessarily be less reliable than economic measures. In fact, it is a common misconception that the measurement of economic wealth and its sustainability are simple and straightforward. Of course, economic analysis is well developed given the attention it has received over many years. However, measurement of the economy, like that of environmental and social inputs and outcomes, involves a high degree of complexity and estimation, both at the macro and micro levels. Hence, perceived measurement difficulties should not provide a barrier to integrated policy assessment.

For example, estimates of trend productivity growth, the primary economic measure at a macro-economic level, are contestable as they depend on the choice of a base year in the economic cycle. Productivity is very strongly influenced by the economic cycle. So, if the depth or length of the cycle changes markedly over time, it may not be possible to make a reliable estimate.

A further complicating factor in economic productivity or growth estimates is deciding what to include in the measure. Growth in the number of prisons, or number of inmates held per prison, will show up in national economic measures as a contribution to growth and productivity respectively. If my neighbour and I provide paid childcare for each other's children rather than looking after our own it will result in growth of GDP. Divorce increases lawyers' fees and leads to more house-building, and so the list continues.

Analysing the Indian subcontinent, Partha Dasgupta, a Cambridge Professor of Economics, has shown that it is possible for a country to experience increasing GNP per capita while wealth per capita declines, when the decline in natural capital (including ecosystems, minerals and fossil fuels) has been taken into account.

These examples are given not to underplay economic measures but to underline that *all* measures of policy impact are difficult to determine accurately; in the end, the best that can be done is to produce estimates of likely impact.

5 Assessing the contribution of policies to building True National Wealth

Integrated public policy that seeks to build true national wealth requires a two-tiered approach:

- Individual policies must be assessed along all three dimensions: economic, environmental and social/relational.
- The complete set of public policies should be considered repeatedly, to ensure that the sum of the policies is sufficient to deliver anticipated results on each of the three dimensions.

Only when all three components of true national wealth are considered in concert can assessment of public policies consciously target progress, as defined by the people those policies are intended to serve – the voters. And although a particular public policy may aim to achieve an outcome that is specifically economic, environmental or social, in fact, all public policies have impact in all three spheres.

Although, as yet, there is no broadly agreed framework of relational measures, this aspect of the social dimension of policy assessment should be incorporated rapidly into assessment of public policy. Policies will promote or destabilise relationships whether or not their effects are well understood. The best available metrics and evaluation techniques should be adopted and progressively developed.

6 **Governing for True National Wealth**

Successful integration of the three dimensions of public policy will require a coordinated response across government departments. This will comprise development of clearly established economic, environmental and social objectives relating to all areas of government. It includes:

- Agreement on a framework for policy assessment that addresses all three dimensions.
- Adoption of language that effectively communicates economic, environmental and social goals so as to engage the community and other stakeholder groups. Politicians, policymakers and commentators must begin to describe goals, inputs and outcomes in language appropriate to the various aspects of life, rather than defaulting to economic language.
- Agreement on appropriate measures for the relational aspects of the social dimension. The Relationships Foundation's relational proximity analysis provides a sound starting point.
- An organisational response within government so that responsibility, accountability and funding are aligned, taking into account departmental boundaries and multiple levels of government. This will require the negotiation of shared objectives across departments and between levels of government (national through to local).
- Staffing and training within public service departments to ensure competence in conducting integrated policy assessments.
- Immediate attention to critical pressure points in people's lives and for the natural environment.

The adoption of a true national wealth approach opens the way to a political landscape where vision and leadership can come to the fore:

- Integrated public policy lends itself to a longer-term perspective and thereby to focusing on the big decisions that will define the nature of our national communities. Some key social and environmental objectives require approaches that span many years, for example, developing core relational skills in the next generation, and ensuring that our grandchildren will have ample access to, say, clean air and water. If governments are prepared to act boldly, by taking an integrated approach, they can make decisions in the full light of the short, medium and long-term implications across all dimensions affecting society.
- Approaching national elections, an integrated perspective on public policy provides a framework for each political leader to communicate an alternative vision. Each political party has the opportunity to describe an integrated set of economic, environmental and social objectives and the specific means, if elected, by which their government would hope to achieve them. Differing philosophies regarding the appropriate role of government will come to the fore as political parties describe the nature and extent of their proposed involvement.
- National governments can play an important role in promoting integrated policy assessment in the realms of local government, business and the professions.
- Governments can influence households and individuals to consider how their attitudes and behaviours align with the broader interests of the community.

We live in a world of ever-increasing complexity. The degree to which future governments achieve clarity of purpose, by addressing the three dimensions of true national wealth in an integrated way, will bear critically on the society we leave to our children and grandchildren.

Notes

- p 6 Philip Bobbit, *The Shield of Achilles: War, Peace, and the course of History*, New York: Alfred A. Knopf, 2002.
- p 9 The quote is taken from a transcription of the speech held by the John F. Kennedy Presidential Library & Museum accessed at <http://www.jfklibrary.org/Historical+Resources/Archives/Reference+Desk/Speeches/RFK/RFKSpeech68Mar18UKansas.htm>
- p 10 www.greenbook.treasury.gov.uk/annex02.htm
- p 11 www.treasury.gov.au/documents/876/HTML/docshell.asp?URL=Policy_advice_Treasury_wellbeing_framework.htm
- p 12 www.prospect-magazine.co.uk/article_details.php?id=9709
- p 13 ‘interdependent and mutually reinforcing’, from the United Nations General Assembly, 2005. Resolution 48. *2005 World Summit Outcome*, UN.
- p 13 *Social Trends 38*, ONS. Available at http://www.statistics.gov.uk/downloads/theme_social/Social_Trends38/Social_Trends_38.pdf
- p 14 The Brundtland Commission, previously known as the World Commission on Environment and Development, *Our Common Future*, Oxford: Oxford University Press, 1987.
- p 15 *Securing our Future: Delivering UK Sustainable Development Strategy*, DEFRA March 2005.
- p 16 HM Chief Inspector of Prisons, Anne Owers, gave evidence to the House of Commons Justice Select Committee in December 2007.

The Triple Test

<http://www.parliament.the-stationery-office.co.uk/pa/cm200708/cmselect/cmjust/184/7121207.htm>

p 16 Patients Association press release available at:
<http://www.patients-association.com/News/215>

p 20 The leading work on indicators describing the health of relationships in society is Robert Putnam in *Bowling Alone*, New York: Simon Schuster, 2000.

p 22 Partha Dasgupta, 'Bottlenecks' in London *Review of Books*, 19 May, 2005.

* Relational thinking and the Relational Proximity Model show that relationships are important to wellbeing, but they are fragile and easily ignored with devastating consequences. Relationships take many forms and each is unique. Everyday we interact with a variety of people in a range of contexts. However there are common elements to each relationship – communication, time, information, power and purpose. By analysing these we can understand and influence peoples' relational experience. Relationships are complex, but that is no excuse to abdicate responsibility for them. Instead policy should intentionally seek to create, support and protect strong, stable and healthy relationships.

The Relationships Foundation has set out its relational analysis and the Relational Proximity Model in a short pamphlet entitled *Why Relationships?* This can be viewed and downloaded from our website at: www.relationshipsfoundation.org/whyrelationships