

Enhancing Policy Evaluation: Composite Index and System Dynamics Models for Well-being Budgets in New Zealand and Scotland

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Abstract

Traditional economic success indicators have been widely criticized for failing to reflect overall well-being. As a response, the concepts of "well-being economics" and "well-being budgets" have gained traction, aiming to prioritize human well-being and sustainability over economic growth. This article explores the importance of incorporating well-being economics and well-being budgets into macroeconomic policy, specifically from an ecological economics perspective.

The limitations and criticisms of current well-being measures are examined, highlighting the need for a more comprehensive approach that considers social, environmental, and economic factors. Recognizing the need for a new measurement method, the paper proposes a novel approach to evaluating well-being for macro sustainability. This method incorporates economic, social, environmental, and institutional components, acknowledging the interconnections between these pillars of sustainability. Unlike existing measures, a simple composite index and a system dynamics model are suggested as tools to operationalize this approach.

To illustrate the practical application of the proposed method, case studies from Scotland and New Zealand are presented. By comparing the results of these countries, the paper demonstrates the efficacy of the new well-being measurement approach. This innovative method offers a holistic perspective on well-being, thereby guiding policy decisions towards sustainable development.

Keywords: well-being economics, well-being budgets, ecological economics, system dynamics, macroeconomic policy