




From Measuring Output to Well-being

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What we measure affects what we do; and if our measurements are flawed, decisions may be distorted.

Stiglitz-Sen-Fitoussi Report

Presentation

- 1....what happened so far
- 2....'Well-being' is best explained by looking at the Stiglitz-Sen-Fitoussi Commission report...
- 3....and what OECD is planning in this field

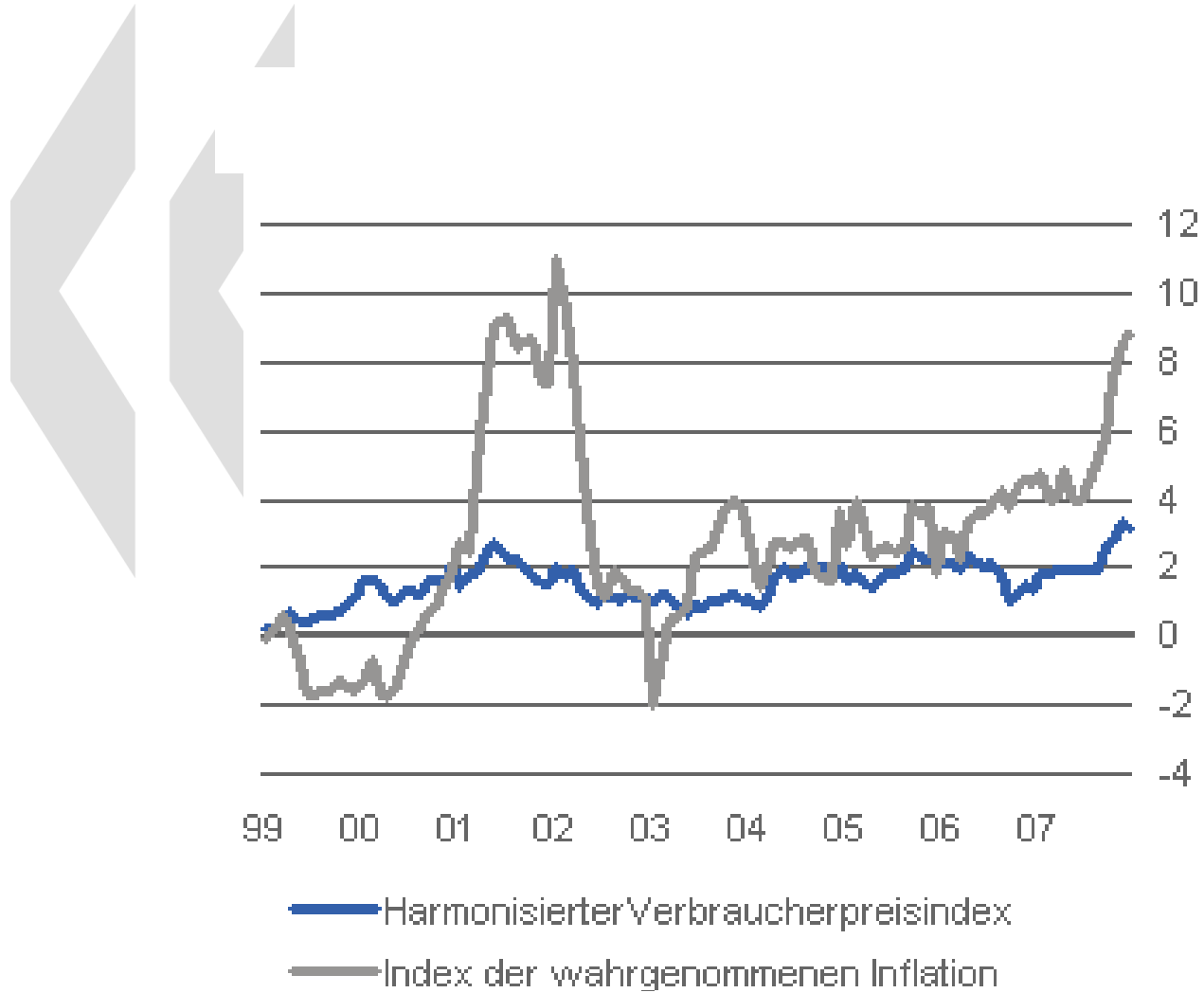
...what happened so far (1)

For several years, there has been a growing number of small and large initiatives, often of a private nature, that ask ‘how do our societies/the environment evolve and how can these developments best be measured?’

Central theme: it is increasingly difficult for people to see how those numbers that are present in the public debate and that politicians use as their benchmark, represent people’s personal situation in life

Examples

- Objective and subjective measures of inflation
- Debate on real wages ‘Pouvoir d’achat’ in France



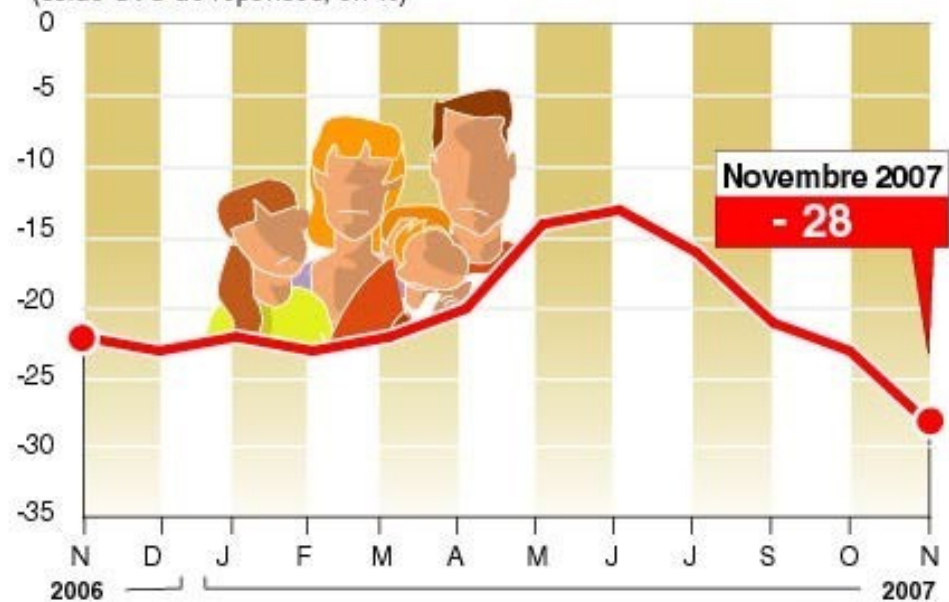
Quelle: DB Research April 2008

DÉGRADATION DU MORAL DES MÉNAGES

L'indicateur résumé d'opinion des ménages a chuté de cinq points en novembre pour tomber à -28 au plus bas depuis juin 2006 selon l'enquête mensuelle de conjoncture réalisée par l'Insee

■ Indicateur résumé d'opinion des ménages

(solde CVS de réponses, en %)



Source : Insee

WaG REUTERS

Source: Actualités Challenges; 30/11/2007

...what happened so far (2)

- The OECD raised these issues in several conferences on the topic of *Measuring Progress of Societies* in: Palermo (2004); Istanbul (2007); Busan, Korea (2009)
- Debate was started by statisticians
- Reason: discrepancy between subjective and objective reality raises doubts about the accuracy and objectivity of official statistics
- Loss in trust in official statistics means also a problem for politicians
 - Trust in institutions and democratic processes
 - Quality of public debate

...what happened so far (3)

- February 2008: Nicolas Sarkozy puts Stiglitz-Sen Commission in place to reflect on alternative and complementary measures to GDP
- Autumn 2008: financial crisis: is the topic still relevant?
- Autumn 2009: answer = yes;
- Crisis is an opportunity to reflect on society's values and their measurement
- Sarkozy was followed by other high-level politicians:
 - EU Commission
 - G20 Pittsburgh
 - Korean President, Japan, Australia
- This dynamises the discussion

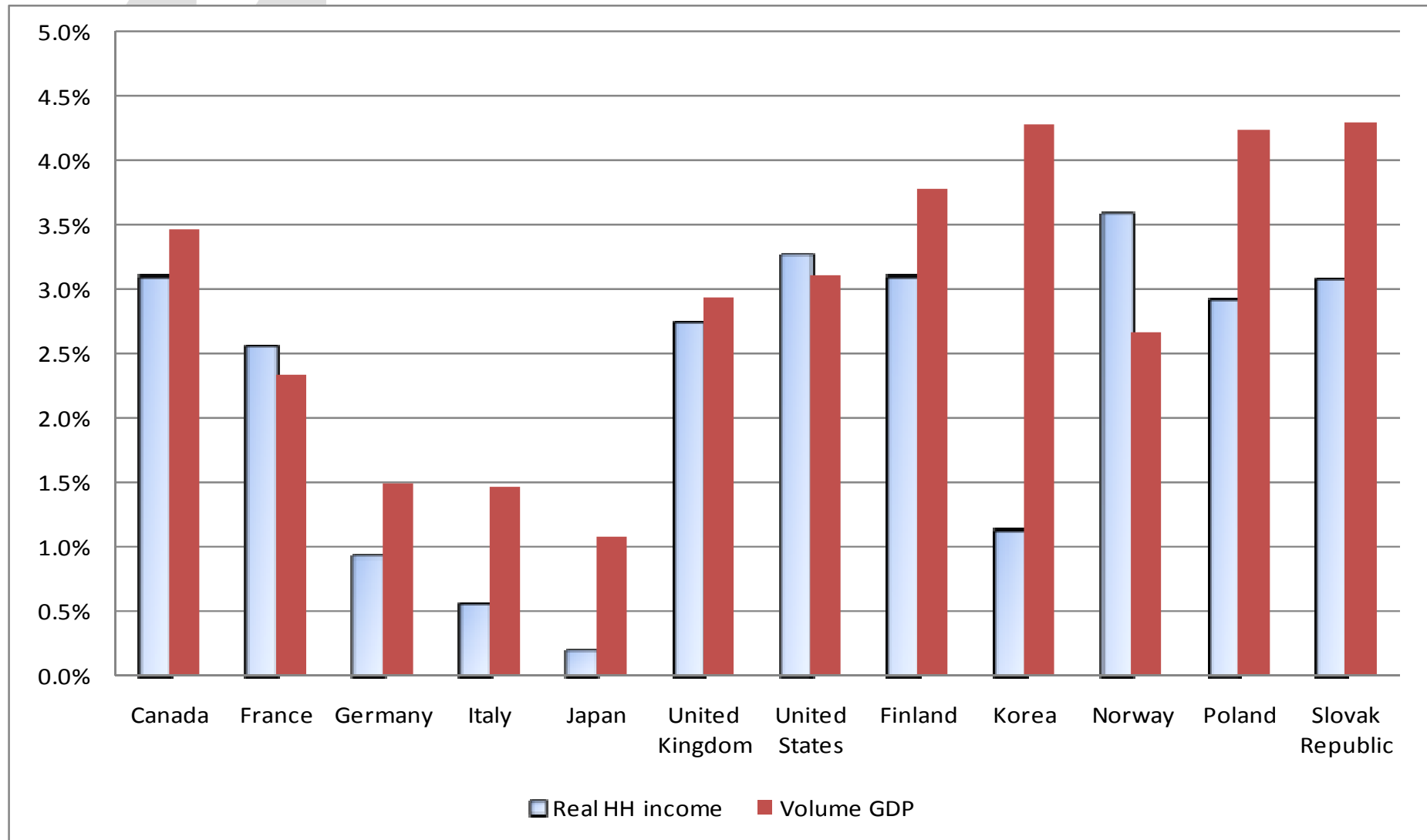
...more contents please: what exactly is meant by all this?

- Best explained by the report of the Stiglitz-Sen Commission
- 3 dimensions:
 1. Material well-being
 2. Quality of life
 3. Sustainability

Material well-being (1)

- From GDP to measurement of disposable income of households
- Developments can be very different
- GDP = measure of mainly market production
- Important number but for other questions than measurement of material well-being

Real household income and GDP growth 1996-06



Material well-being (2)

- From averages to medians or: disposable income for whom?
- 3 households
 - -Income of HH 1 and 2 remains unchanged
 - -Income of HH 3 doubles
 - Average income increases, but the majority of HHs is not better off (Median would have remained unchanged)
- Distributional measures are important
- But also: correct measurement of quantity and quality of government services and services provided by private households

From material well-being to other dimensions of the quality of life(1):

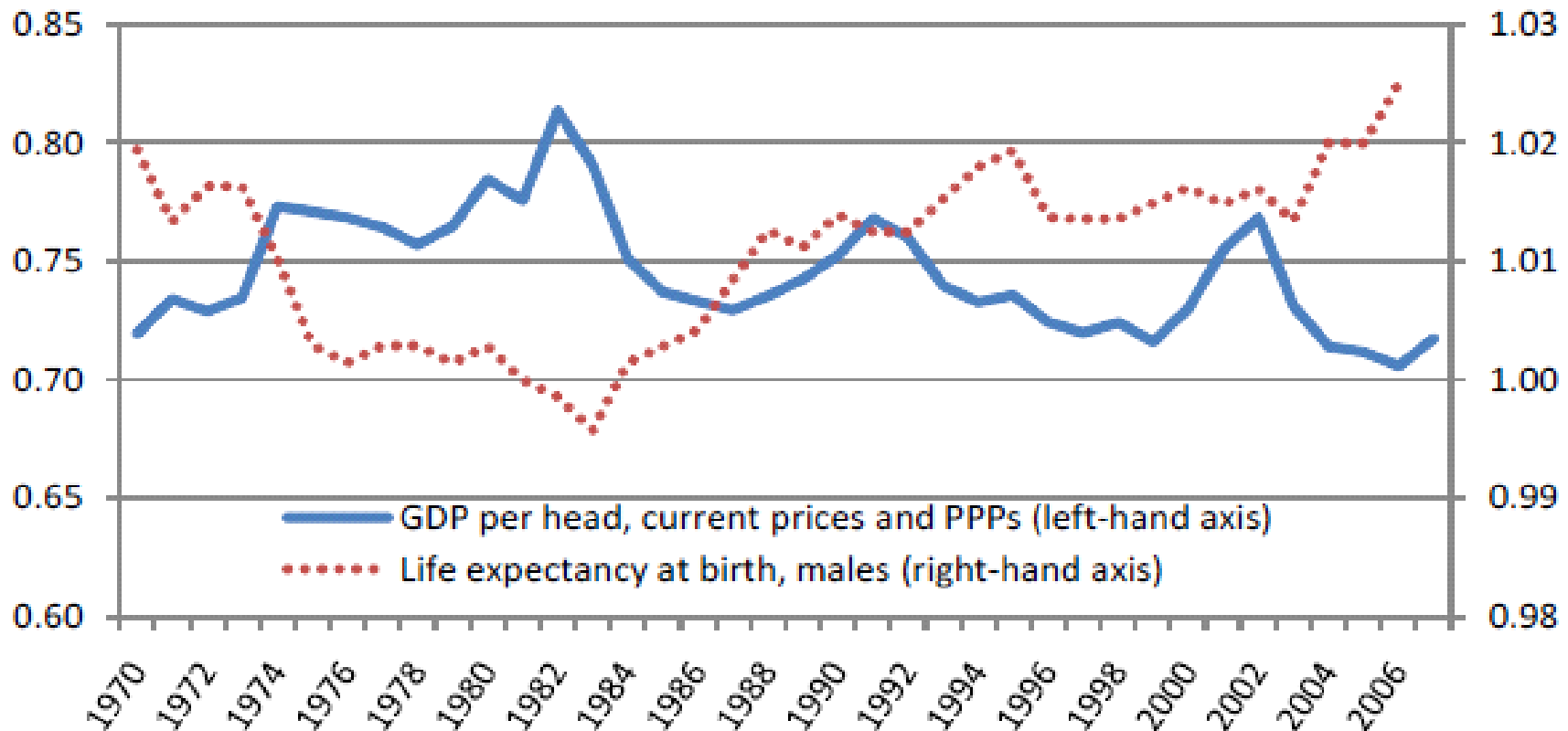
Many important topics are not well covered statistically: environmental pressure, health, social relations, insecurity ...and subjective well-being



From material well-being to other dimensions of the quality of life(2)

- Subjective and objective well-being
- Measurement of subjective well-being important but not sufficient (adaptation to changed circumstances, importance of relative situation...)
- Objective dimensions:
 - health
 - education
 - Personal activities (leisure,...)
 - Political voice and institutions
 - Social relations
 - (In)security – physical and economic
 - Environment

Gaps in GDP per capita and life expectancy at birth between the United States and France

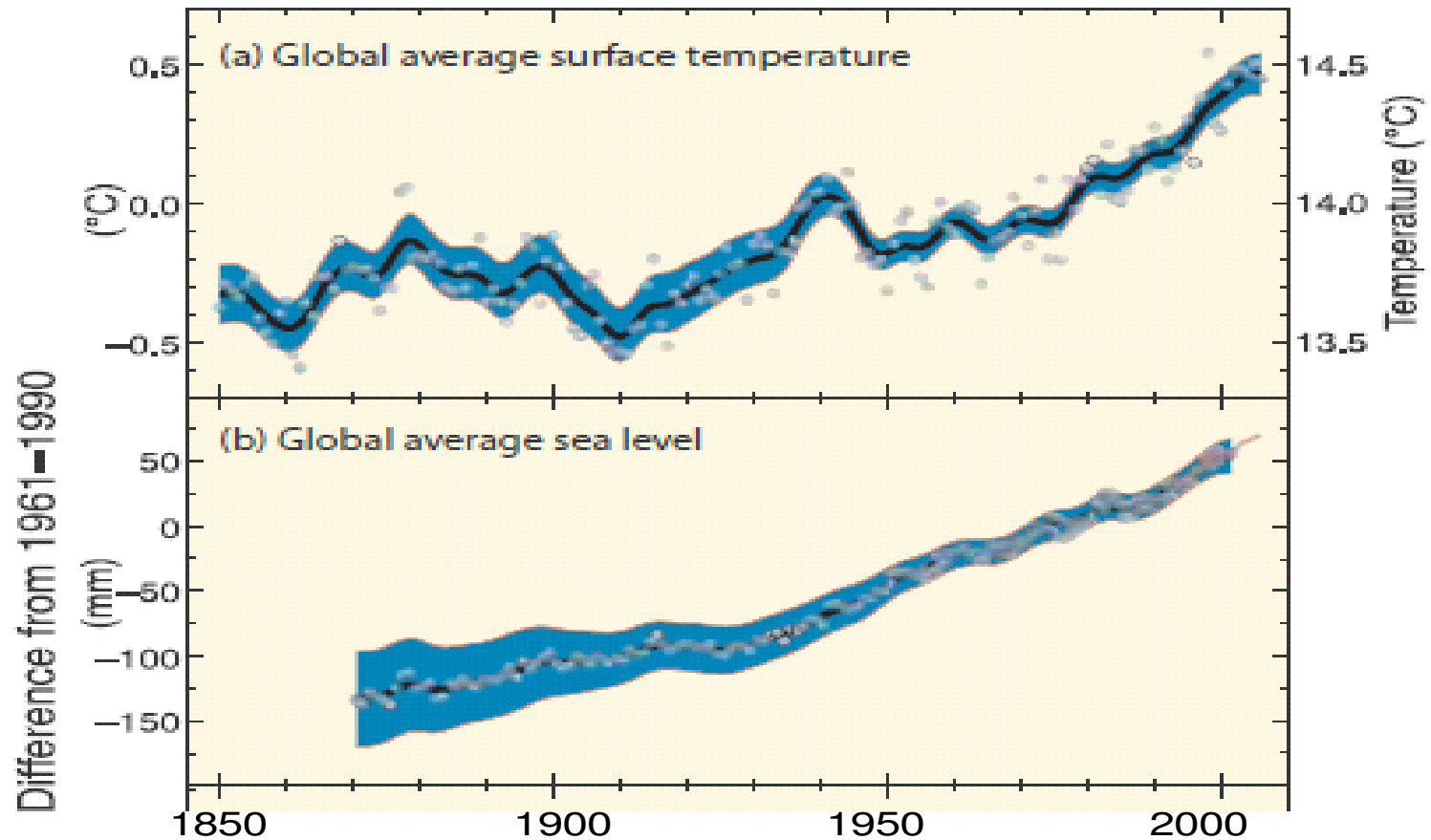


From current well-being to sustainable well-being(1)

- Indicators for material well-being and for quality of life concern current generations
- But sustainability of well-being is important for future generations
- Stiglitz-Sen Commission: pragmatic approach
 - Capital computations where possible (economic sustainability, human capital)
 - Physical indicators in particular in the area of environment
- Set of indicators, no single measure

Example climate change

Trends in global temperature and sea-levels, 1985-2000



Finally, what the OECD is planning in this area

- OECD Global Project on Measuring Progress of Societies: Network and communication
 - WIKIPROGRESS
 - 4th World Forum New Dehli India November 2012
 - Regional conferences
- Development of indicators and new publication (*Progress at a Glance*)
- Methods and research (Working Paper Series)
- Link to economic and sectoral policies
- Objective: change perspective, change policies

...To conclude...

- The point is not to do away with GDP but to use it for those purposes that it was conceived for
- No single all-encompassing indicator to measure well-being on the horizon
- But there is a reasonable number of relevant indicators that can be measured to track the different dimensions of well-being and to discuss them
- Dimensions will vary between countries, regions and communities and identifying what counts for people is an important part of participative democracy
- What the OECD can contribute to this process, it will contribute

Thank you for your attention!