

Some thoughts on the political economy of happiness

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Some rules for political arithmetic

Rules = processes for measurement, systems, frameworks, standards, ways of interpreting and using the data.

- 1) Hard, core, orthodox – political economy constructed entirely on basis of money, markets and transactions (including public services funded out of taxation). Production boundary important, ignore what goes on outside.
- 2) Soft, new economics (not particularly new), alternate, alternative – not just economic performance but also social progress, the state of the natural environment, resources and sustainability of all this. Includes subjective wellbeing (happiness etc) either as new headline (Layard) or as heart of national wellbeing measures (ONS)

Similarities – and a big difference

- Can trace both back to Age of Enlightenment (William Petty, Sir John Sinclair)
- Both now have systems of measurement overseen by UN – System of National Accounts and the Fundamental Principles for Official Statistics
- Both subject to continuous development (or at least phased development and release of new versions)
- BUT GDP remains dominant, so Beyond GDP narrative differs between the hard (stay within SNA) and soft (GDP mis-measures our lives)

The issue: how is the country doing these days?

- GDP designed as headline measure of economic performance
- Taken as measure of wellbeing, social progress, sustainability
- We know why it does not measure those things (and how it could be improved)
- Are we 'ruled by statistics': by changing what is counted, will we also change what will count?

Official statistics – the vision

According to UN Fundamental Principles for Official Statistics
(1. Relevance, impartiality and equal access):

*Official statistics provide an indispensable element in the information system of a democratic society, **serving the government, the economy and the public with data about the economic, demographic, social and environmental situation.** To this end, official statistics that meet the test of practical utility are to be compiled and made available on an impartial basis by official statistical agencies to honour citizens' entitlement to public information.*

<http://unstats.un.org/unsd/methods/statorg/FP-English.htm>

Sir John Sinclair's Statistical Account of Scotland, 1790s

166 questions to Church Ministers eg

What is the nature of the soil? Is it fertile or barren, deep or shallow?

What is the proportion between the annual deaths and the whole population?

Do the people, on the whole, enjoy, in a reasonable degree, the comforts and advantages of society? and are they contented with their situation and circumstances?

For the purpose of elucidating the Natural History and political State of Scotland

For the purpose of ascertaining the quantum of happiness enjoyed by its inhabitants, and the means of its future improvement



*Portrait of Sir John Sinclair,
by Sir Henry Raeburn*

“Government has the power to help improve well-being”



“From April next year we will start measuring our progress as a country not just by how our economy is growing, but by how our lives are improving, not just by our standard of living, but by our quality of life. ...”

David Cameron 25.11.10

<https://www.gov.uk/government/speeches/pm-speech-on-wellbeing>

Personal wellbeing as policy objective

Economists assume we maximise our utility (wellbeing) which is related to consumption and income.

This misses out so much of what makes life worth living.

One answer is to attempt to maximise subjective wellbeing.

Individuals make choices that might not be in their, or society's, long-term interest.

Hence a potential additional role for public policy – tackling behavioural 'failures'.

Governments, business and individuals to take account of wellbeing.

(From 'Wellbeing and Policy', O'Donnell et al, 2014)

Policy developments

Cost-benefit analysis extended to include monetarised evaluation of subjective wellbeing effects

Wellbeing policy infrastructure and support across Whitehall

Developments in devolved administrations

External support (Legatum, BRAINPOoL, etc)

But still early days

Where now? – potential requirements and factors

(Work in progress for papers by Allin and Hand)

- Agents for change (some in succession and some sustained)
- Politics eg the ‘Crosby test’ for electoral strategy:
 - Do voters/member states/opinion formers think it matters a lot?
 - Is it an area where political party X/international organisation Y are judged to be strong?
- Tipping point (and a permanent paradigm shift)
- Plan what can, otherwise react and connect
- Statistical developments released in batches (version control like SNA)
- System of National Accounts => Process of National Wellbeing Accounting
- Local measures plus core of measures comparable between places
- Summary measures (dashboard) or single measure?
- Marketing – what the use and who are the users? (current and historical)

To be used in same way as GDP?

These statistics “are among the most important, high profile statistics produced by the Office for National Statistics (ONS), providing some of the earliest signals about the health and momentum of the UK economy, including consumer and business confidence. They inform decisions that affect the daily lives of everyone in the UK, such as interest rates. They are used by a wide range of organisations and people for making and monitoring economic policy, and for informing day-to-day and strategic decisions ... More than most sets of statistics, this package of outputs speaks to a very wide range of audiences for a wide range of uses, from guiding business decisions to acting as a general barometer of the economy”

Source: UK Statistics Authority, Assessment of Short-Term Economic Output Indicators: Preliminary Estimate of GDP, and Indices of Production and Services, 2014

Conclusion?

Will it work (this time – not a new idea)?

- Politics
- Policy
- International organisations
- Public and business opinion (shaped/reported by the media)

Watch this space, including

- Economic wellbeing published alongside GDP
- CMEPSP 'second' report
- Take up in successors to Millennium Development Goals
- International meetings including OECD World Forum in Mexico

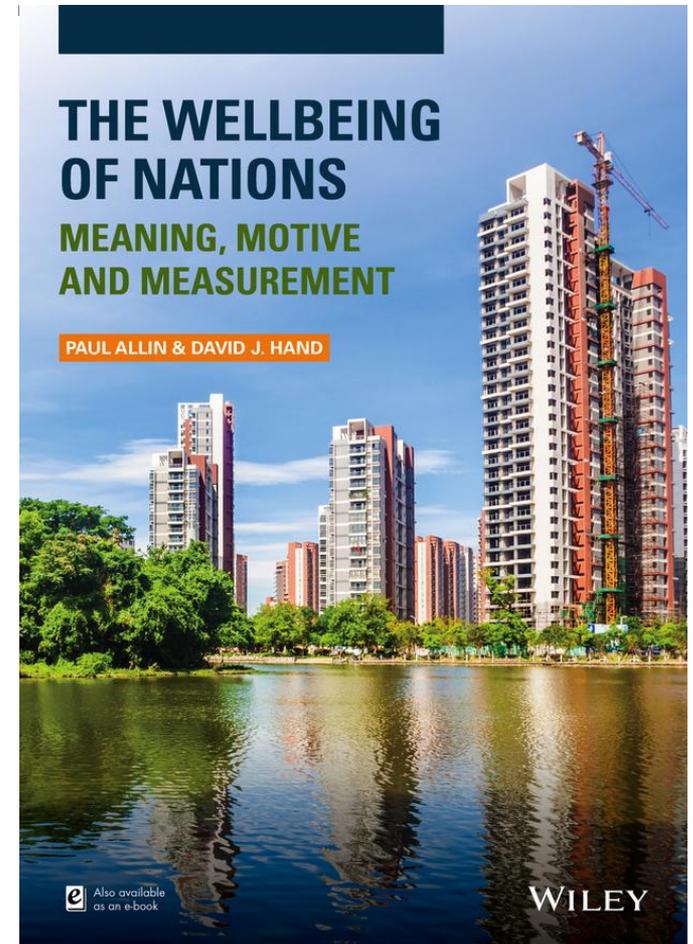
ADVERT!

“A great book that adds much needed well-reasoned argument and weight to the global debate on how we better measure what is getting better and what is not.”

Daniel Dorling, School of Geography and the Environment, University of Oxford

- **What is national wellbeing and what is progress?**
- **Why measure these definitions?**
- **Why are measures beyond economic performance needed and how will they be used?**
- **How do we measure national wellbeing & turn the definitions into observable quantities?**
- **Where are we now and where to next?**

These questions are asked and answered in this much needed, timely book by Paul Allin and David J. Hand.



Some links

Commission on the Measurement of Economic Performance and Social Progress

http://www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf

ONS Measuring National Well-being Programme

<http://www.ons.gov.uk/ons/guide-method/user-guidance/well-being/index.html>

Legatum report on wellbeing and policy

<http://www.li.com/programmes/the-commission-on-wellbeing-and-policy>

BRAINPOoL helping to bring indicators into policy

<http://www.brainpoolproject.eu/>

Statistical Accounts of Scotland <http://bit.ly/X8ISe8>