

RF



Measuring what matters?

*ESRC/SPERI Seminar on
Political Economy and Wellbeing*

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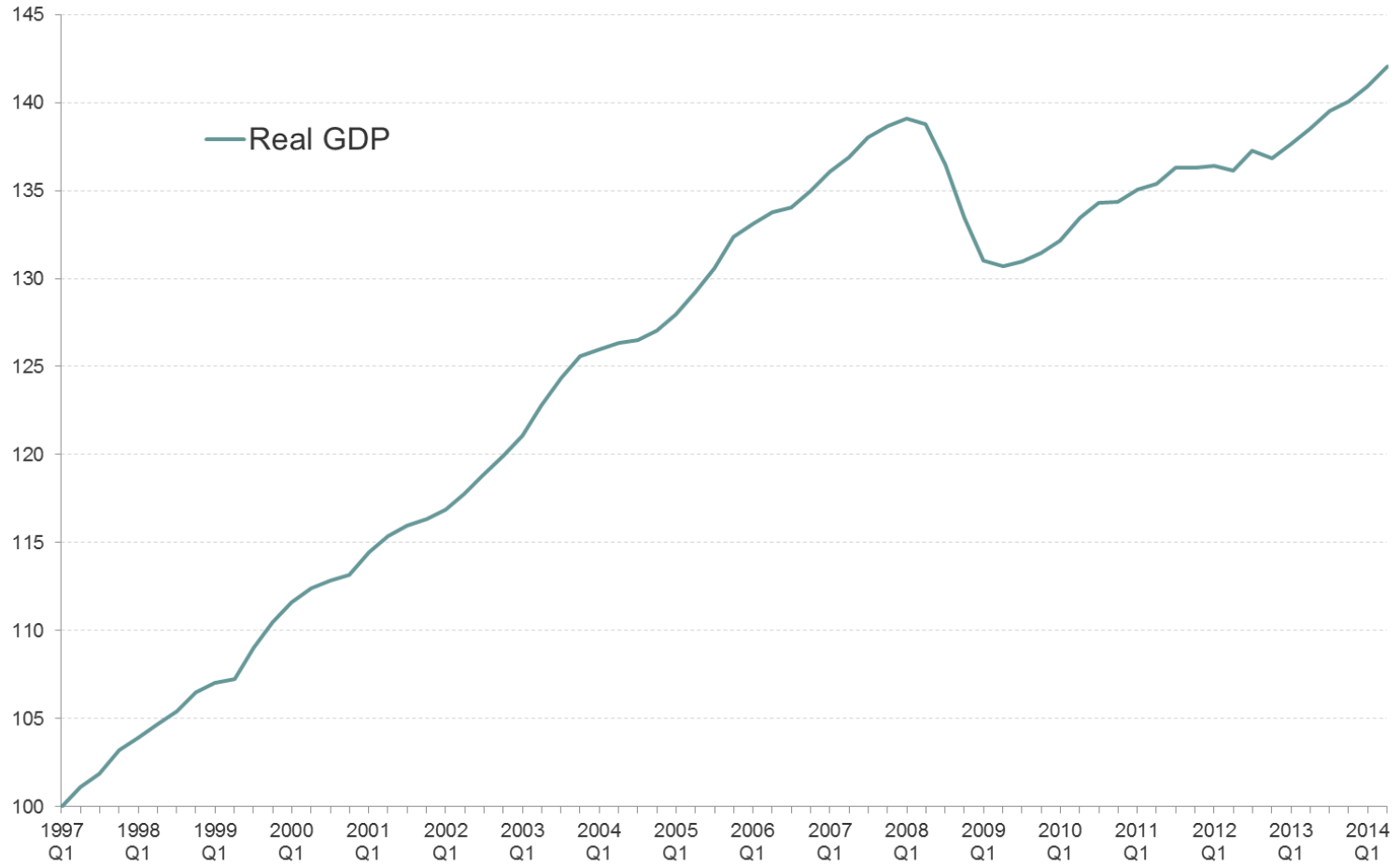
January 2015

Economic measures are important

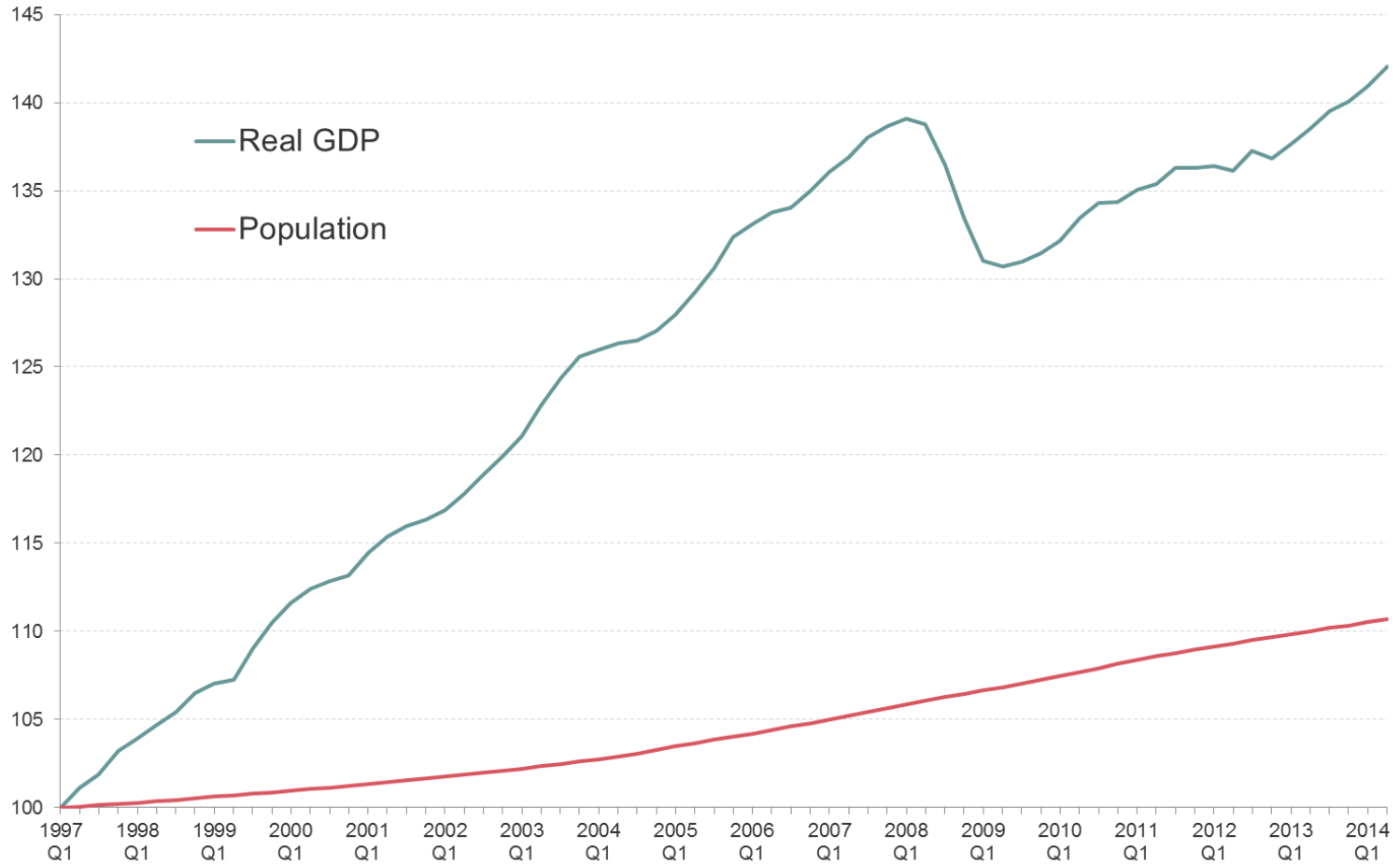


- There is a role for a range of standardised, objective, timely economic stats
- **But... we can incrementally improve on what we have...**
- Looking forward to new kinds of measures too
- All these stats important for policy & politics, but unlikely to affect big change

UK GDP is higher than ever...



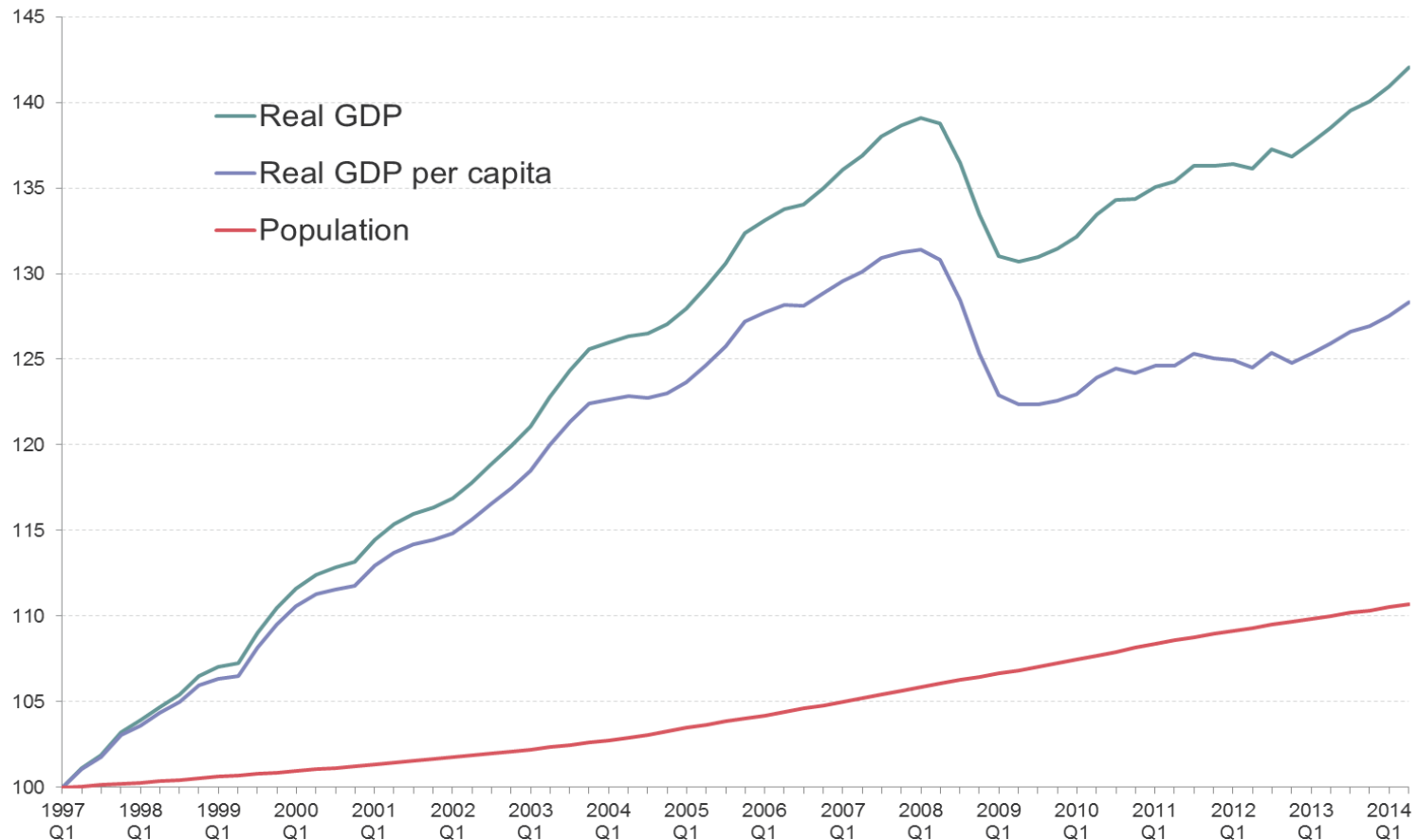
...but so is population



We should use GDP per capita

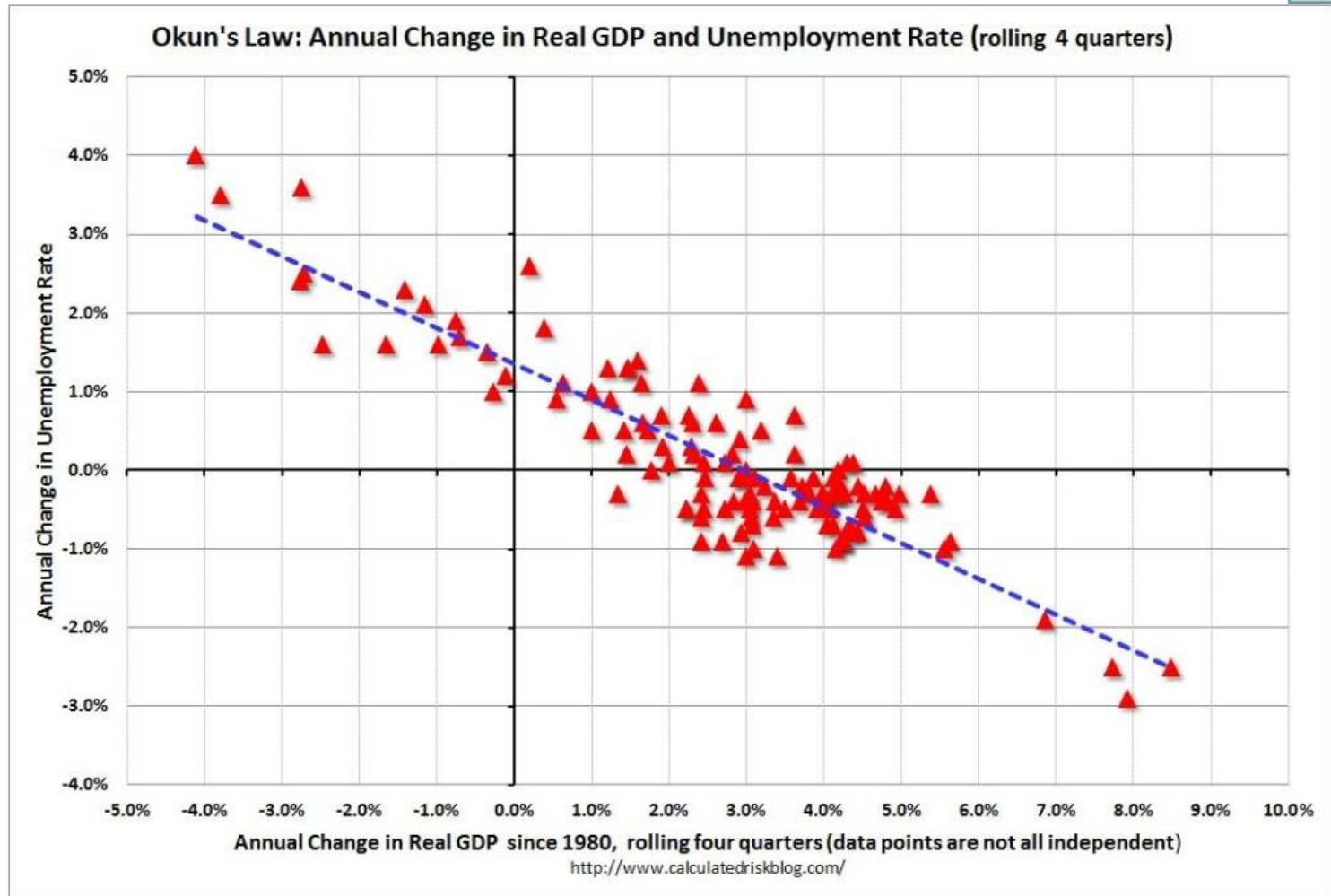


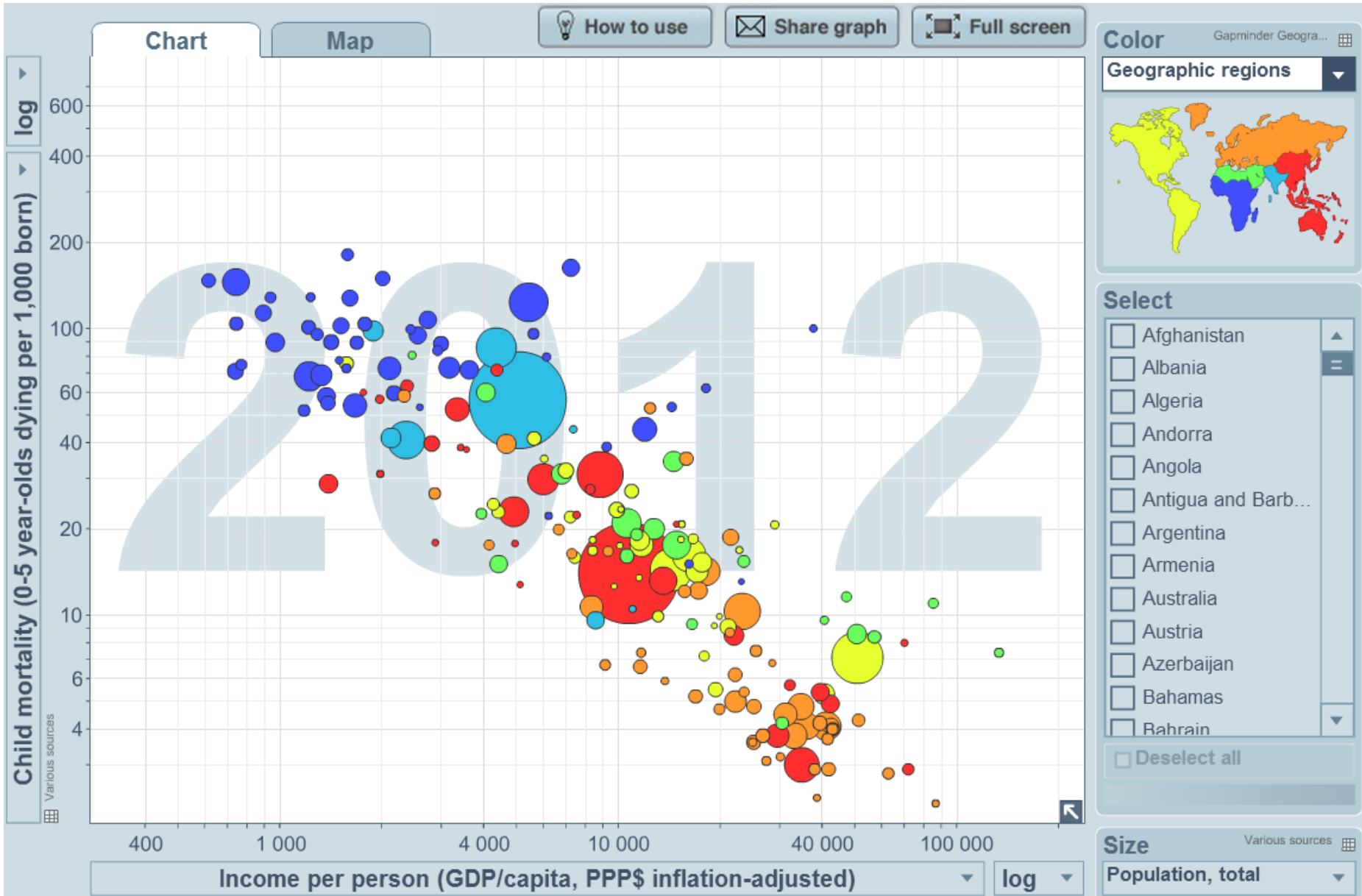
- Population adjustment can be important even over short timescales
- e.g. “UK economy back at pre-crisis level” ?
- Problem of timeliness — ask the ONS!



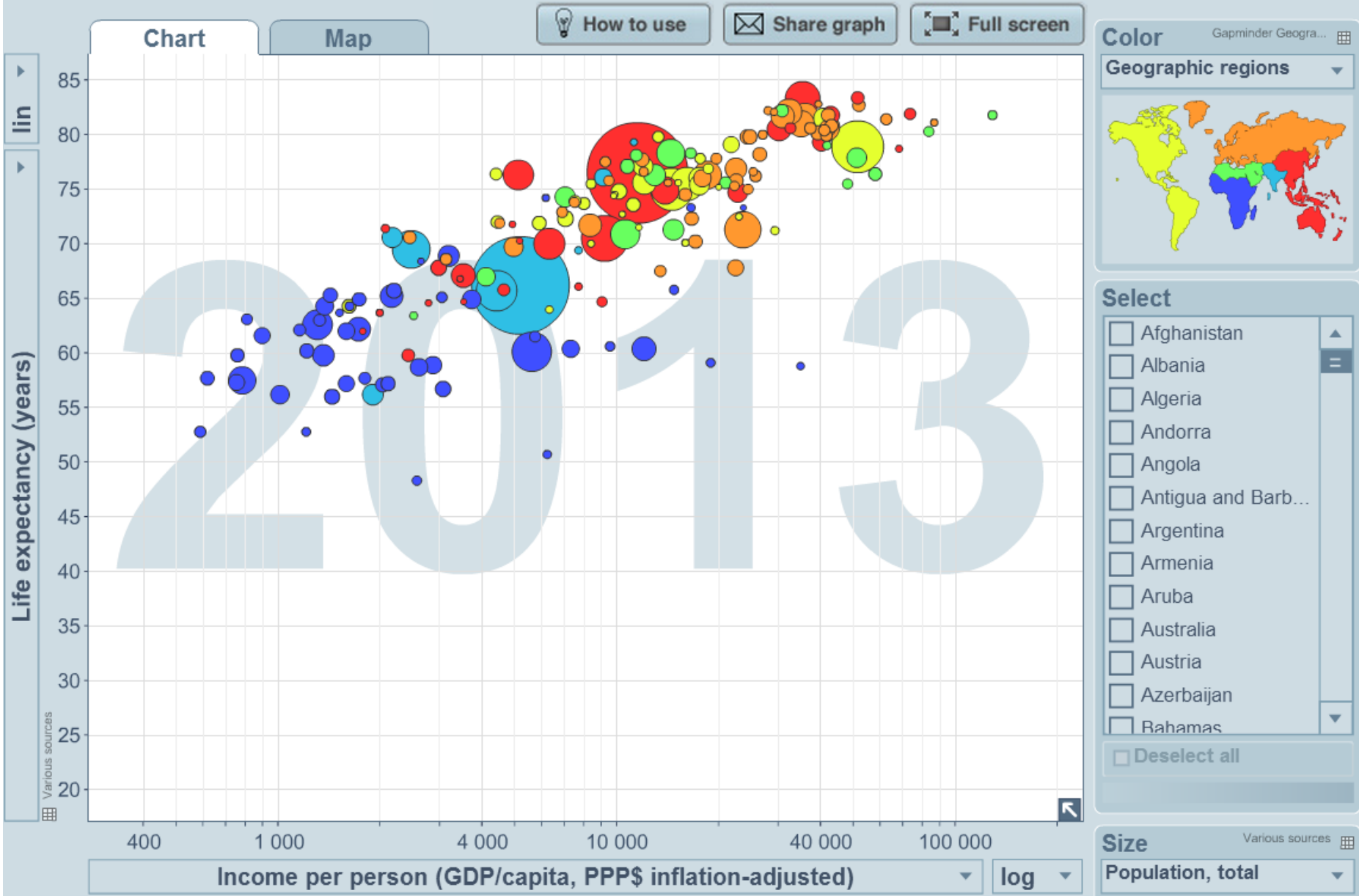
GDP (per capita) is useful!

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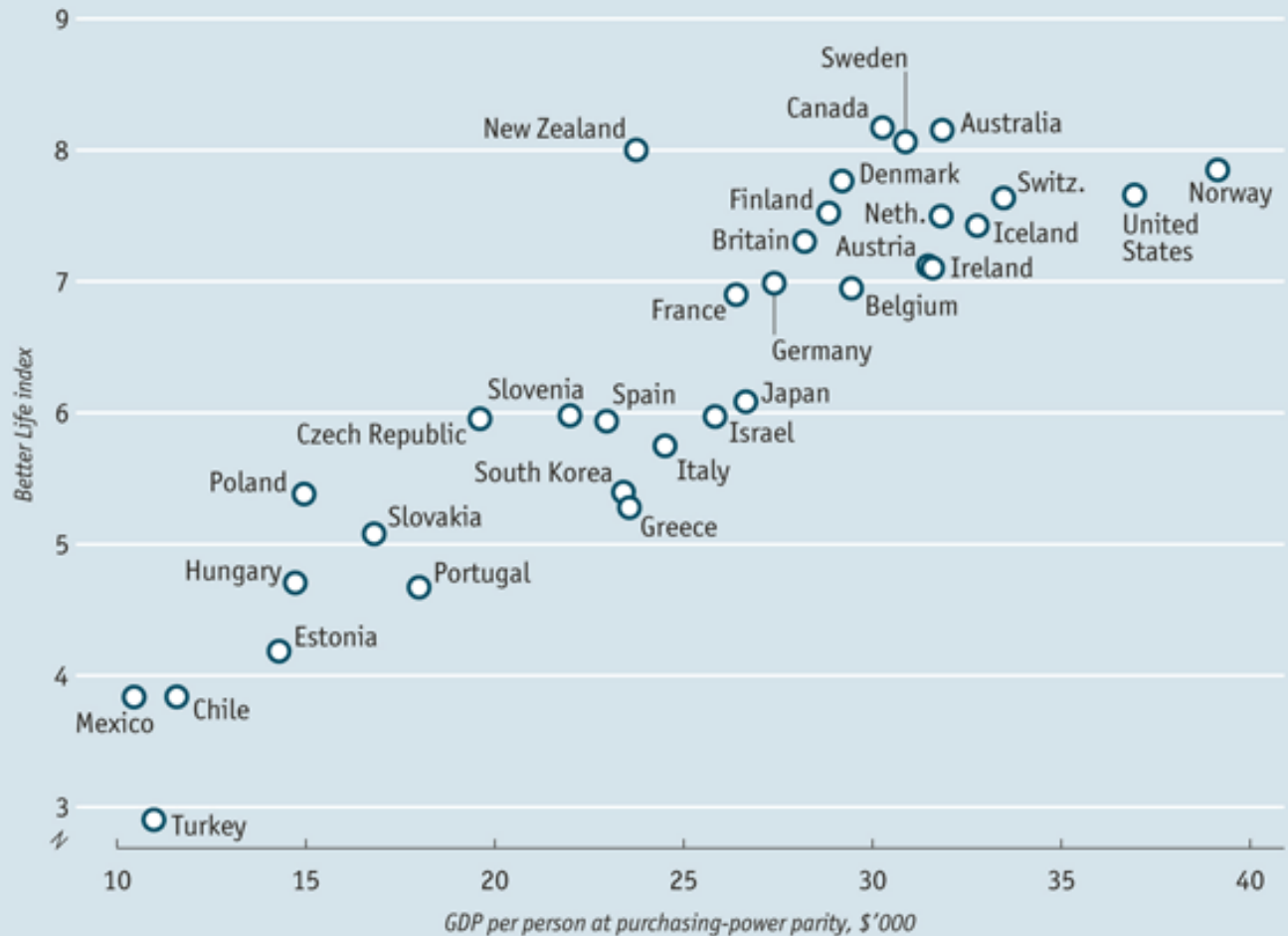
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GDP (per capita) is useful!

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Well-being and wealth

OECD Better Life index (10=best) and GDP per person, 2009*



Source: OECD

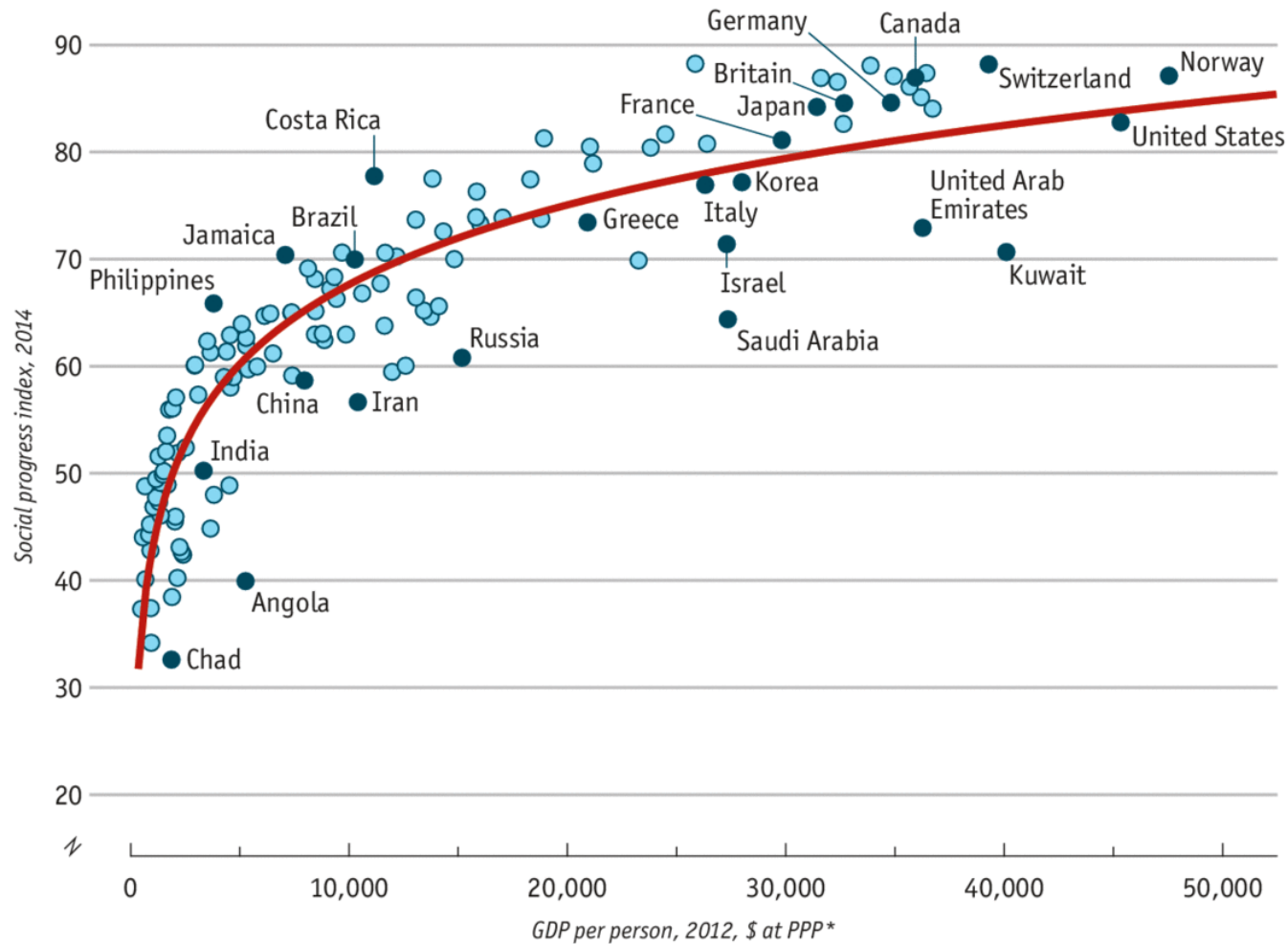
*Or latest available year

GDP (per capita) is useful!



Measuring development

Social progress index and GDP per person



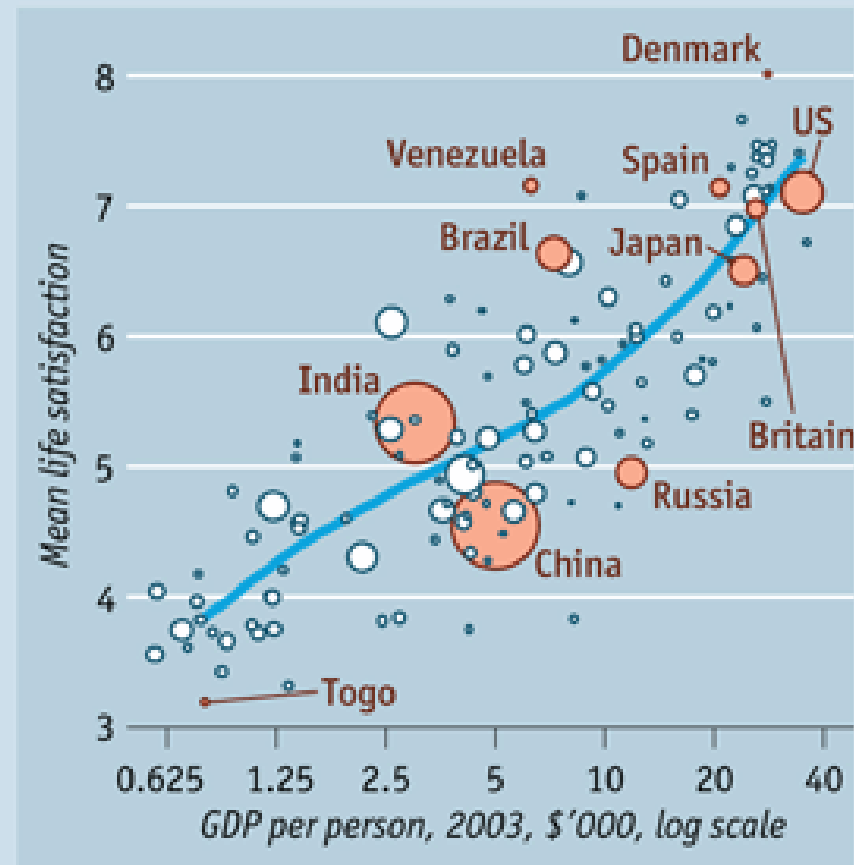
Source: Social Progress Imperative

*Purchasing-Power Parity, 2005 prices

GDP (per capita) is useful!

Life satisfaction and GDP per person at PPP*

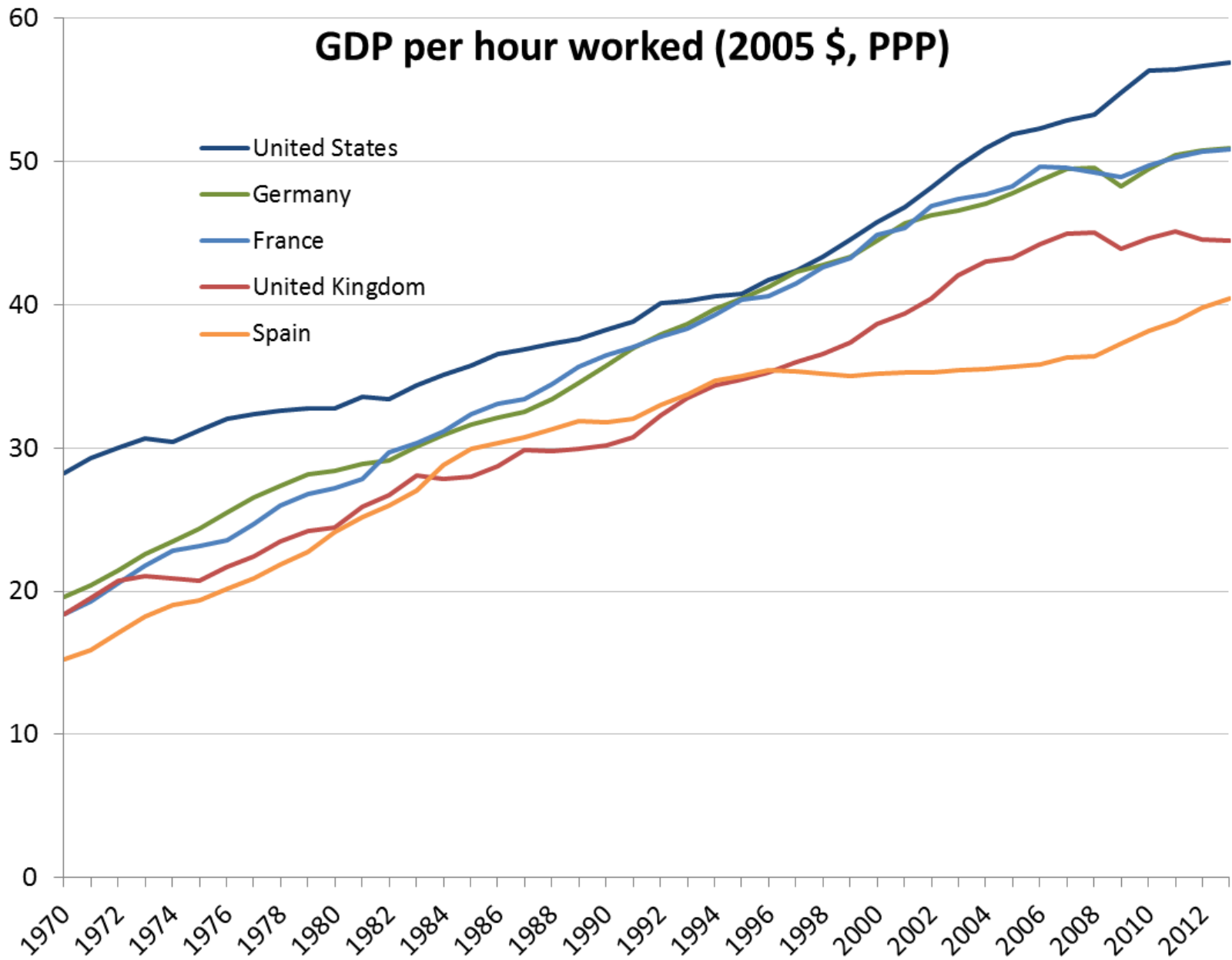
Circle size is proportional to population size



Sources: Penn World Table 6.2; Gallup World Poll, Angus Deaton

*Purchasing-power parity

Improving on GDP: Productivity (GDP per hour worked)



Improving on GDP: Net domestic product



- *Net* rather than *gross* product:
account for what we use up as well as what we produce
- wearing down of physical infrastructure
- use of natural resources (oil, trees, fish stocks...)
- using up of 'carbon budget' or degradation of air/water/soil quality?
- social capital??

- Requires assessing the value of those things
- ONS aims to “fully include the value of natural capital into the UK Environmental Accounts by 2020”

Improving on GDP: Net national income



- Real net national disposable income (**RNNDI**):
Add flows of returns to and from UK residents.
- Makes recent slump look even worse.

Household incomes probably best measure

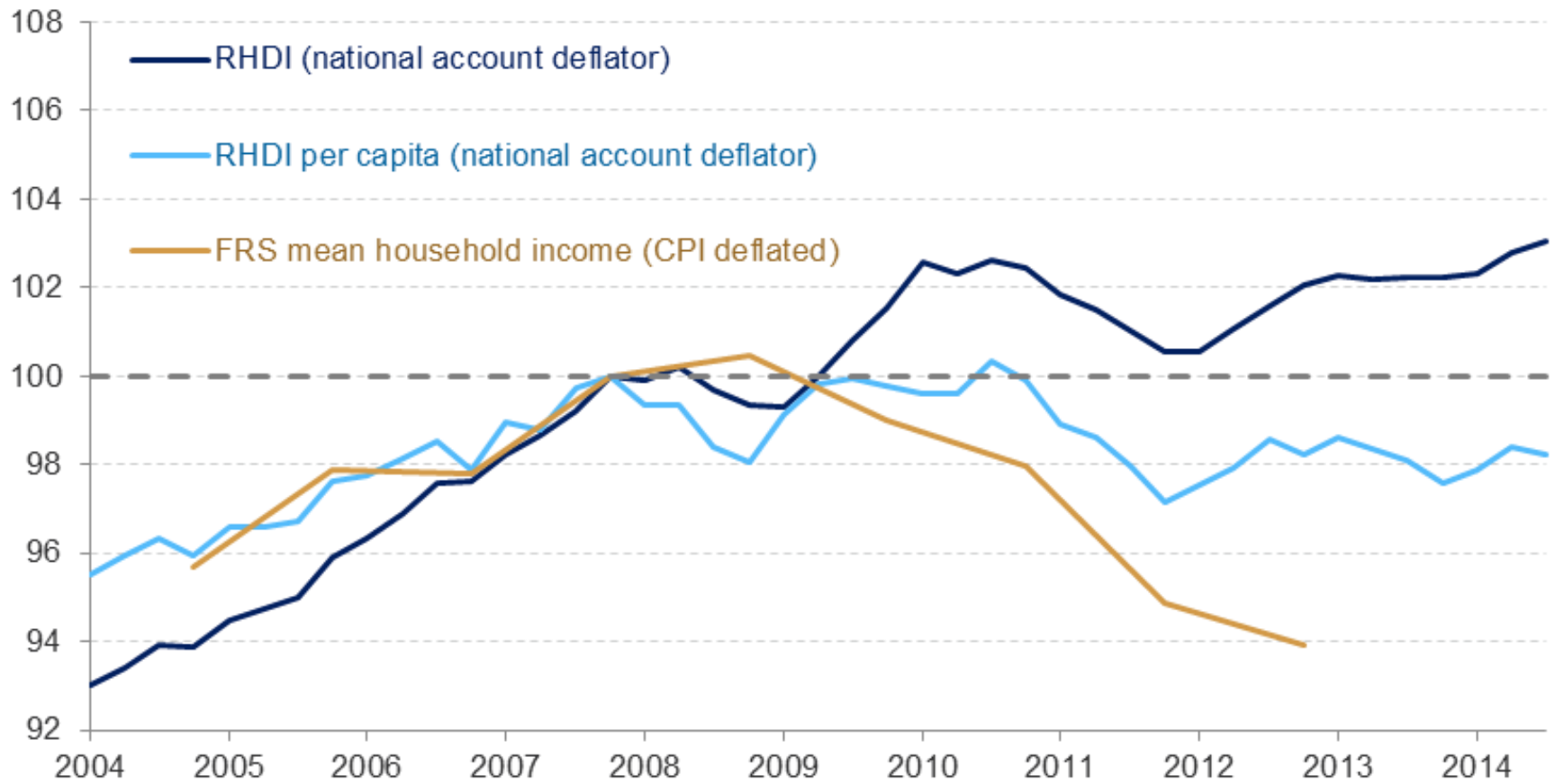


- Real Household Disposable Income (**RHDI**):
Use per capita! Other problems too.
- Household income **surveys**, e.g. Family Resources Survey. Great but not timely – latest is April 2012 - March 2013.

Household income measures compared



Indices of household income: Q4 2007=100 (4-quarter rolling sum for RHDI measures)



Problems with all income/expenditure measures



- Comparing different family sizes
- Comparing different tenure types
- Expenditure or income?

- Non-market activities: childcare, cooking, cleaning...
- Buying leisure time
- Buying quality of work

Measuring value over time is tough



- Different inflation formulae and baskets
- Changing quality
- New goods and services
- Largely constant basket, not constant utility
- Health care
- Free digital goods and services

- Inflation for whom?

Important to look beyond the average



- Need extra stats to give us distributions
- Even single figures like Gini not enough
- Can focus on median rather than mean
- Where in income distribution should focus be?

- And where geographically? UK? Global?
- Does one measure fit all countries?

Conclusions



- Range of economic stats important, useful and worth improving: easy to do.
- Some more fundamental problems of non-market activities and how we compare values over time: but enlightening to explore those
- Single numbers always obscure distribution: whom are we most concerned about?

The logo consists of the letters 'RF' in a bold, teal-colored font, centered within a white square. This square is enclosed by a double-line border, with the inner line being a thin teal line and the outer line being a thicker teal line.

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