The emerging role of Private Sector to improve national life quality.

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http://www.deakin.edu.au/research/acqol
Questions

What should be measured to gauge the positive progress of societies?

Who should be responsible for such measurement?
Reformed from a prior ‘Economic Board’ in 1972 as the National Economic and Social Development Board under the Prime Minister’s Office


**The Tenth Plan (2007 - 2011)**

Four primary National Agendas:
1. Poverty and Income Distribution
2. Economic Competitiveness
3. Social Capital Development
4. Sustainable Development

Guiding principles are derived from ‘Sufficiency Economy Philosophy’

kindly provided by His Majesty King Bhumibol Adulyadej
Sufficiency Economy Philosophy

An aim of the sufficiency economy philosophy for Thailand is to:

-----enhance the quality of life of people and local communities so that they will become self-reliant, thus achieving sustainable development.

-----emphasize “value for money” rather than cost effectiveness

-----achieve a “green and happy society”
Sufficiency Economy Philosophy

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----achieve a “green and happy society”

So, how is ‘happiness’ measured?
The NESDB measures progress of the following broad indicators:

- **Health**
- **Knowledge**
- **Working life**
- **Income and distribution**
- **Environment**
- **Family life**
- **Good governance**
Economics is deployed in these areas, in the form of Sufficiency Economy Philosophy, as a tool to help people achieve greater happiness.

- Health
- Knowledge
- Working life
- Income and distribution
- Environment
- Family life
- Good governance
Two assumptions:
1) That increases in these areas will lead to greater happiness

- Health
- Knowledge
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Happiness
Two assumptions:
1) That increases in these areas will lead to greater happiness

- Health
- Knowledge
- Working life
- Income and distribution
- Environment
- Family life
- Good governance

2) That economic development is primary to the development of these areas
As an indication of the primarily economic orientation

Appendix 3
Research Areas for the Creation of Knowledge Bodies under the Tenth National Economic and Social Development Plan

1. Economic development / finance - 33
2. Governance / Planning - 11
3. Environment - 4
4. Medical health - 1
5. connecting research networks on the civil society - 1
Positive aspects of this approach:

1. The strong orientation to economic development is consistent with the needs of Thailand at this time

2. Economic development is constrained by Sufficiency Economic Philosophy

Cautions

a) Assuming that wealth (economic development) = happiness

b) Not measuring happiness directly

c) Not measuring other subjective indices of societal functioning
Quality of Life

Objective Conditions
  e.g. Wealth

Subjective Perceptions
  e.g. Satisfaction with wealth

Objective QOL
  e.g. HDI

Mood Happiness

?
Happiness comes in two varieties

Short-term ‘emotional’ happiness
An emotional response to something nice

Long-term ‘mood’ happiness
A mood with a genetic basis

Subjective wellbeing
[Contentment]
So, what is the current relationship between economic theory and Mood happiness?

Answer:
In several important and fundamental aspects, the connection between economic theory and happiness is wrong.
About 250 years ago, a Scottish philosopher, Adam Smith, published *The Wealth of Nations*, and in so doing created the origins of modern economics

At around the same time, another British philosopher, Jeremy Bentham, concluded that laws should be evaluated according to the single ethical principle of "utility". A law is good or bad depending upon whether or not it increased general happiness of the population.
Assumptions within Economic theory

1. Happiness can not be directly measured.
First measures of happiness

Surveys from the 1950s started asking two kinds of questions:

‘All things considered, how happy do you feel?’

‘How satisfied are you with your life as a whole?’
Assumptions within Economic theory

1. Happiness can be directly measured.
Assumptions within Economic theory

1. Happiness cannot be measured.
2. Direct happiness measurements are not reliable
Andrews and Withey 1976
Social indicators of well-being
Plenum Press, New York

Campbell et al 1976
The quality of American life
Russell Sage Foundation, New York

Both publications:
Demonstrated how Life Satisfaction was a reliable measure
In 2000 we linked with our industry partner, Australian Unity

Purpose: to create a quarterly index of subjective wellbeing for the Australian population.

:to create an alternative to the traditional economic indicators such as GDP
The Australian Surveys

Samples: proportional to geographical distribution of the population

N each survey: 2,000

Method: telephone interview

Timing: #1: April 2001

#24: September 2010
Personal Wellbeing Index
2001 - 2010

Scores above this line are significantly higher than S1.

Maximum = 76.3
Current = 76.0
Minimum = 73.2
Personal Wellbeing Index
2001 - 2010

This represents a 3.0 percentage point variation
Normative range using survey mean scores as data (N=24)

Subjective Wellbeing

Mean = 74.9
SD = 0.8

Very satisfied: 76.6
Very dissatisfied: 73.6

Survey Mean Scores: N=24
Mean = 74.9
SD = 0.8
Assumptions within Economic theory

1. Happiness cannot be measured.
2. Direct happiness measurements are not reliable
3. Happiness [utility] can be inferred from choice behavior because people always select between alternatives on the basis of rational thought
DANIEL KAHNEMAN
University of California Fellow APA

Nobel Laureate in Economics (2002)
‘for having integrated insights from psychological research into economic science, especially concerning human judgment and decision-making under uncertainty’
Assumptions within Economic theory

1. Happiness cannot be measured.
2. Happiness measurements are unreliable
3. Happiness [utility] can NOT be inferred from choice behavior
4. Income is proxy for happiness. The more money individuals or nations have, the happier they are.
Money as a defensive resource: [Diminishing Marginal Utility]

Total N ≈ 40,000

Household Income ($'000)
There is a general principle

Threshold
(Income purchases maximum homeostatic protection)

Increasing income is useful to raise happiness

Increasing income is useless to raise happiness

Mood Happiness

$ wealth $
Manfred put together two massive data sets.

1. Levels of household pollution determined from Australia’s greenhouse gas inventory and economic data.

2. Our data on Mood happiness from the Australian Unity Wellbeing Index.
We confirmed the decreasing marginal utility of income on Mood Happiness

Threshold
(Income purchases maximum homeostatic protection)

$\text{Mood Happiness}$

$\text{Increasing income is useful}$

$\text{Increasing income is useless}$

$\text{\$ wealth \$}$
When Mood Happiness plateaus, pollution keeps rising.

Increasing income is useful

Increasing income is useless AND polluting

Household gas emissions

Mood Happiness

Level of household pollution

$ wealth $
1. Happiness cannot be measured.
2. Happiness measurements are not reliable.
3. Happiness [utility] cannot be inferred from choice behavior because people always select between alternatives on the basis of rational thought.
4. Income is not a proxy for happiness.
The fact that these core assumptions within Economic theory are false has been recognized and uncontested by Economists for at least a decade.

So what?
No one saw it coming

Financial crisis of 2007–?
Nicolas Sarkozy
French President,
commissioned the report in 2008
following the economic melt-down.

Prof Joseph E. STIGLITZ,
Columbia University

Prof Jean-Paul FITOUSSI,
Institut d'études politiques

Prof Amartya SEN,
Harvard University

2009
Report by the Commission on the
Measurement of Economic Performance and Social Progress
Paris: OECD
Aim of the Commission

- to identify the limits of GDP as an indicator of economic performance and social progress,

- to consider what is required for the production of more relevant indicators of social progress;

- to assess the feasibility of alternative measurement tools
CONCLUSIONS

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

• Choices between promoting GDP and protecting the environment may be false choices, once environmental degradation is appropriately included in our measurement of economic performance. “

• The commonly used statistics may not be capturing some phenomena, which have an increasing impact on the well-being of citizens.” (p7)
CONCLUSIONS

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Finally, serious change is in the air---
WikiProgress
[OECD]

Mission

to create a global information tool supported by a worldwide partnership of organisations and individuals wishing to develop new, smarter measures of progress.

to better understand the economic, social and environmental factors that determine whether or not lives are getting better.

http://www.wikiprogress.org/index.php/Main_Page
Measuring population happiness
OECD - December 2010

- Single question evaluative measure
- Additional evaluative questions for a multi-item evaluative scale
- Limited question affect scale
- Expanded affect scale questions
- Eudaimonic well-being measure
- Additional questions on eudaimonic well-being
- Personality instruments
- Illustrative vignettes

- Evaluative questions – e.g. life satisfaction
- Affect questions – e.g. happiness, joy, sadness, worry
- Eudaimonic well-being – e.g. purpose, meaning, flourishing
- to control for individual fixed effects
- to control for culturally specific fixed effects
Canadian Index of Wellbeing
(2009)
www.ciw.ca/en/AboutTheCIWNetwork.aspx
Matched with 10th Plan
No subjective indicators
A simple, generic subjective indicator

Personal Wellbeing Index
http://www.deakin.edu.au/research/acqol

How satisfied are you with your-----?

• Standard of living
• Health
• Achieving in life
• Relationships
• Safety
• Community connectedness
• Future security
• Spirituality/Religion
So, what is the future?

1. The Government and NESDB are doing a fine job in handling the main game – the economy.

2. The clearly articulated Philosophy of Sufficiency provides guidance both for managing the economy and for other aspects of Thailand.

3. The way is clear for private enterprise to assist in the provision of non-economic measures of the development of Thai society.

4. Guidance is readily available for the kinds of non-economic measures that could be employed.
Caveat #1

“What we measure affects what we do” [but only if the government is attending to what we measure]

1. New measures of positive national development should not be devised by private enterprise alone.

To be relevant to policy-makers, such measures should be conducted in collaboration with government agencies.
Caveat #2

“if our measurements are flawed, decisions may be distorted.”

[how do we know what measures to make?]

2. The people should be directly consulted as to what kind of values describe the Thai society they wish to live in.
Caveat #3

“if our measurements are flawed, decisions may be distorted.”

[how do we know what instruments to use?]

1. There is a very large *SCIENTIFIC* literature on the construction of measurement scales and methods of data analysis

2. Composite scales, that combine many different measures, should be subjected to rigorous scientific investigation before being accepted as valid.
Conclusions

These are interesting times:

1. We must never lose sight of the importance of economic development.

2. Economic development, of itself, does not represent national happiness.

3. The technology is available to directly measure mood happiness and other subjective indices of positive national progress.

4. An alliance between the private and government sectors may be key to realizing the true goal and spirit of Sufficiency Economy Philosophy.