

How is our Society? It's time for a check-up

by Monica Montella¹

The turmoil on financial markets and the problems of real economy are symptoms of a illness, whose measure can not be left entirely to the thermometer of the GDP. Our society must be subjected to a check-up, analyzing all the dimensions of well-being and social progress, diagnose diseases which afflict it and establish appropriate treatment, with the aim to heal as soon as possible and to ensure that the state of health improve or does not deteriorate over time.

Simon Kuznets, the economist who “invented” the GDP, realized immediately that “*The welfare of a nation can scarcely be inferred from a measure of national income*” (1).

This did not prevent the GDP to become the thermometer of the health status of a state and create a real economic and social dependence on this indicator.

The economists have continued to develop their analysis on the well-being and, perhaps, due to the recent global financial and economic crisis, efforts to go "beyond GDP" have increased.

Since the 70's in Bhutan was initiated a project to measure happiness, which has resulted in 2008 in **Gross National Happiness Index**, developed by the Centre for Bhutan Studies (2). For 20 years the United Nations publishes the **Human Development Index** (3) and in 2009, the Committee Stiglitz-Sen-Fitoussi, appointed by Sarkozy, released the report **Measuring of Economic Performance and Social Progress** (4).

In 2009, the European Commission has identified several measures to be taken in the short term to represent progress (5), by developing indicators that complement GDP.

In 2010, the French and German governments have commissioned their respective institutions of economic analysis the jointed report **Monitoring Economic Performance, quality of life and sustainability** (6), while the British Prime Minister **David Cameron** has entrusted the Office for National Statistics the research project **Measuring National Well-Being** in order to provide timely and useful information for social policies (7).

In the United States the Government Accountability Office is preparing a **Key Indicator Systems** (8), in Canada was released the **Canadian Index of Wellbeing** (9), while in Australia was published the updated edition of the **Measures of Australia's Progress** (10).

Recently the **OECD** has proposed its **Better Life Index** (11) and in Italy a commission CNEL-ISTAT is studying similar measures whose results are expected early next year (12).

Other private initiatives are underway, including the Legatum Prosperity Index recently published by the UK Legatum Institute (13).

How many and which dimensions measure well-being

The number and type of dimensions that comprise the well-being (Figure 1) vary according to the studies, despite having some common denominators. Material well-being (income, consumption, wealth), Health and Education are present in all studies, while the Environmental dimension is only excluded from the Index of Human Development and Prosperity Legatum Index.

One or more indicators are identified to represent each dimension. For example, in the OECD Better Life Index Safety is measured by the average between the homicide rate and the percentage of people assaulted (14).

The difficulty lies in wanting to have a single measure of progress or well-being or quality of life, as both the size and indicators play a different matter, but can not be quantified in an objective manner and is likely to change over time (15).

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Most of the research have concluded that it is not possible to synthesize in a single number measure of welfare, because it is a complex, multidimensional phenomenon.

In the absence of a single indicator remain three types of problem. First, how to compare the scores achieved by different countries, which is the main purpose of the international institutions initiatives. Secondly, how to follow the time evolution of the measures, which is instead the objective of national studies, and then to interpret the individual aspects and obtain an overall assessment. Thirdly, how to define an international standard dimensions of well-being overcoming the differences existing nowadays, as is evident in Figure 1, considering the lack of an agreement even on the name of 'dimension' (components for UN, domains for Buthan, size/dimension for Stiglitz, categories for Canada, elements for France/Germany, sub-indices for Legatum Prosperity Index, topics for OECD: topics), severely limiting the ability to compare the different experiences, not come to an harmonized well-being measure.

Figure 1 – Well-being analyses dimensions according to the main International initiatives (*)

Dimensioni	ONU H.D.I. (1990)	Bhutan G.N.H.I (2008)	Rapporto Stiglitz (2009)	Canada C.I.W. (2009)	Francia/ Germania (2010)	Legatum Prosperity Index (2010)	OCDE B.L.I. (2011)
Material Well-being (income, consumption and wealth)	X	X	X	X	X	X	X
Housing							X
Jobs			X				X
Entrepreneurship and Opportunity						X	
Work-life balance							X
Health	X	X	X	X	X	X	X
Psychological Well-being		X					
Life satisfaction							X
Education	X	X	X	X	X	X	X
Environment		X	X	X	X		X
Governance		X	X		X	X	X
Democratic engagement				X			
Personal freedom						X	
Community vitality		X		X			X
Social connections and relationships			X		X	X	
Safety						X	X
Personal and economic insecurity			X		X		
Time use				X			
Leisure and culture		X		X			
Personal activities					X		

(*)There are also cross-cutting issues such as inequality (on quality of life), to assess the relationships between the dimensions of quality of life, working combinations among the dimensions of quality of life (such as the Human Development Index, income concept equivalent etc..) in this table were not considered because the aim was to compare existing dimensions.

The Well-being indicators and the health check-up

Individuals, especially after a certain age, regularly undergo a series of diagnostic tests to monitor their health status. The reasons for a blood test or other tests can be a sensitive to the prevention or the onset of some symptoms. The analysis results show the shortcomings of one or more organs and allow to prescribe a treatment to resume the human body in a normal situation.

Similarly, the well-being analysis of a Society can be considered as a useful diagnostic tool to evaluate its state of health (like clinical analysis), where the dimensions identified are similar to the human organs, because each of them contributes to good operation of the entire body. What are missing in the welfare analysis to have a diagnostic value and allow to identify a treatment?

To give effect to the measures, as well as in clinical analysis, it is necessary to have values that define the critical threshold beyond which the situation becomes pathological (16).

For example, one of the indicators on health could be the percentage of the population according to body mass index (BMI) are underweight (BMI <18.5), normal (BMI between 18.5 and 24.9) or overweight (BMI > 25). A large proportion of underweight people may be indicative of problems of malnutrition, whereas the presence of a proportion of the population overweight or obese (BMI > 30) poses a greater risk of cardiovascular disease or type-2 diabetes , with a consequent increase in health spending.

The effort of experts of each field, once defined the well-being dimensions, is not only to identify suitable indicators, but also to define, for each of them, the range of oscillation physiological or the level below which (or above it) must not be a normal value.

The tool can be refined over time, making adjustments to both the diagnostic capability of the indicator, including the relationship with other indicators of the same or a different dimension, and the threshold.

And as it not possible to assign a rating to the overall health of an individual based on the results of clinical trials, but to capture the failure of various organs, all of the values of the analysis of well-being are an effective diagnosis for the decisions of economic, social and environmental policies, to improve the living conditions of individuals and the community as a whole. So far what we know by an indicator is only the international ranking of a country than the other, while it seems more important to measure the characteristics of a society and the well-being of its citizens with respect to objective parameters.

If the parallelism with the human body is interesting, however, it must make a fundamental distinction.

The human body, unlike a Society, is subject to a finite life cycle. With advancing age the organs tend to deteriorate and need more care. Needs, lifestyles and conditions of an octogenarian are different from those of a twenty year old and fit with the passing age.

In monitoring the health of a Society should be possible to maintain over time a level of development achieved. This principle, which goes by the name of sustainability applies to all dimensions of analysis (economic, social, energy, environmental, etc..). It results in a pact with future generations, who need to enjoy living conditions at least not worse than the present generation.

If you do not take into account sustainability, an increase in welfare may be only apparent - and as such ephemeral - as obtained by consuming the economic, natural, human capital of a Society to the detriment of their children, which in future will not be able to enjoy it (17). The assessment of sustainability requires an approach that will lead to a sharing of legislative choices, in that, especially in sectors such as energy or environmental decisions made by individual countries can affect living conditions and development of the entire planet. A difficult challenge, further complicated by the existence of interactions between environmental and socio-economic models followed by different countries (18).

In conclusion, just as our society is showing obvious signs of discomfort, there is greater need of having a diagnostic tool adapted to the complexity of the situation, and able to report clearly and promptly to policy makers the state of suffering of the different dimensions of well-being and social progress. The check-up of our society is an innovative tool to ensure that our current health status does not prejudice the future, but rather allows a sustainable improvement of living conditions of all peoples.

References and Notes:

- (1) Simon Kuznets, 1934. "National Income, 1929-1932". 73rd US Congress, 2d session, Senate document no. 124, page 7. <http://library.bea.gov/u?/SOD,888>
- (2) Gross National Happiness (Bhutan) <http://www.grossnationalhappiness.com/>
- (3) Human Development Index <http://hdr.undp.org/en/statistics/hdi/>
- (4) Stiglitz - Sen - Fitoussi Commission <http://www.stiglitz-sen-fitoussi.fr/en/index.htm>
- (5) European Commission <http://www.beyond-gdp.eu/>
- (6) Conseil d'Analyse Economique (France) e German Council of Economic Experts (Germany) http://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/Expertisen/2010/ex10_en.pdf

(7) Measuring National Well-Being (United Kingdom) <http://www.ons.gov.uk/about/consultations/measuring-national-well-being/index.html>

(8) The State of the USA <http://www.stateoftheusa.org/content/gao-releases-report-on-key-ind.php>

(9) Canadian Index of Wellbeing <http://www.ciw.ca/en/Home.aspx>

(10) Measures of Australia's Progress <http://www.abs.gov.au/ausstats/abs@.nsf/mf/1370.0>

(11) Better Life Index (OECD) <http://www.oecdbetterlifeindex.org/>

(12) CNEL- ISTAT (Italy) http://www.istat.it/salastampa/comunicati/non_calendario/20110427_00/testointegrale20110427.pdf

(13) Legatum Prosperity Index (Legatum Institute, UK) <http://www.prosperity.com/>

(14) Each indicator is "normalized", it can vary between 0 (minimum observed) and 1 (maximum observed).

(15) In the OECD's BLI Norway is at the top for safety. After the recent massacre of Utoya and Oslo, one is led to give more importance to this dimension of well-being, but if you do not update immediately the indicators you run the risk of increasing the score in Norway right after this dramatic event.

(16) The Bhutan's GNHI is the only one to provide thresholds for the indicators. Moreover, the use of evaluation parameters has already inspired the construction of the euro currency, which could only be accessed by countries that, based on the limits established in the Maastricht Treaty, have demonstrated their economic reliability. (17) For this reason, it is appropriate that, from a temporal perspective, the well-being analysis are also accompanied by an assessment of the capital stock, the stability of which guarantees the sustainability of progress.

(18) The issue of sustainability is an ongoing debate that is developing along two lines of thought. The first is based on the Nordhaus-Tobin approach (index of sustainable economic welfare of the genuine progress indicator), that starting from consumption, value costs related to water pollution, air pollution and noise. The second is the so-called economic-environmental accounting system that aims to integrate national accounting standards with strictly related environment aspects developing a satellite account (Regulation (EC) No. 691/2011 of the European Parliament and of the Council of 6 July 2011 on European Environmental Economic Accounts).