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Abstract

In the late 1990s, the authors developed a new composite measure of well-being called the Index of Economic Well-being (IEWB). The salient feature of this index was that it organized the economic well-being domain into four dimensions: consumption flows, stocks of wealth, equality, and economic security.

Since then, we have greatly advanced our research program on the measurement of economic well-being, both conceptually and empirically. The objective of this paper is to present this new research on and estimates of the Index of Economic Well-being. The paper discusses progress that we have made on methodological issues associated with the construction of the index, in particular the adoption of a linear scaling procedure. The advantages and disadvantages of this technique will be discussed. The paper also presents new estimates of the Index of Economic Well-being and its domains and components for selected OECD countries for the 1980-2007 period and discusses the factors behind these trends.

The main findings are that the Index of Economic Well-being advanced in the OECD countries for which IEWB estimates are available, but generally at rates below that of GDP per capita. The consumption flows and stocks of wealth domains of the Index experienced solid advances over the period, but these developments were offset somewhat by falls in economic equality and in economic security. Increased income inequality accounted for the fall in economic equality while the rise in the private health expenditures, as a share of personal disposable income, accounted for much of the decline in economic security.