

Moving from a GDP-based to a Well-being-based Metric of Economic Performance and Social Progress: Results from the Index of Economic Well-being

Lars Osberg (Dalhousie University)

Andrew Sharpe (Centre for the Study of Living Standards)

Abstract

Initiated by French President Nicolas Sarkozy and chaired by Nobel Prize-winning economists Joseph Stiglitz and Amartya Sen and by Jean-Paul Fitoussi, the Commission on the Measurement of Economic Performance and Social Progress delivered its final report in September 2009 (Stiglitz, Sen and Fitoussi, 2009). Its key message was that in an increasingly performance-oriented society, metrics matter. What we measure affects what we do. If we have the wrong metrics, we will strive for the wrong things. In the quest to increase GDP, we may end up with a society in which citizens are worse off.

The principles expressed by the Stiglitz report are remarkably similar to those underlying the Index of Economic Well-being (IEWB), a composite index developed in the late 1990s by Lars Osberg and Andrew Sharpe, published in the *Review of Income of Wealth* in 2002 and 2005 (Osberg and Sharpe, 2002 and 2005) and recently updated (Osberg and Sharpe, 2009a and 2009b). The salient feature of this index is that it organized the economic well-being domain into four dimensions: consumption flows, stocks of wealth, equality, and economic security.

The objective of this paper is to present new estimates of the Index of Economic Well-being and its components up to 2009 for Canada and the provinces and up to 2008 for selected OECD countries. The paper discusses the factors behind trends in the Index, with a particular emphasis on the impact of the economic crisis on economic well-being. The paper also highlights the commonality between the recommendations of the Stiglitz report and the IEWB.

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Lars Osberg

University Research Professor of Economics, Department of Economics, Dalhousie University, Halifax, Nova Scotia, Canada lars.osberg@dal.ca

Senior Visiting Research Fellow, Research on Poverty Alleviation (REPOA), Dar es Salaam, Tanzania (2009-2010)

Andrew Sharpe

Executive Director, Centre for the Study of Living Standards, Ottawa, Ontario, andrew.sharpe@csls.ca