

Nobel Laureate Professor Joseph Stiglitz emphasises need for alternative measures of well being at 4th OECD World Forum

Day two of the 4th OECD (Organisation for Economic Co-Operation and Development) World Forum currently underway in New Delhi began with a key note speech by world-renowned economist, Professor Joseph E. Stiglitz of the University of Columbia. Professor Stiglitz dwelt on why the gross domestic product (GDP) is not an adequate measure of human well-being and progress and why there is a need to develop alternative, more comprehensive measures.

According to Professor Stiglitz, "Throughout the world there are concerns about the fact that the relationship between increases in GDP and increases in societal well-being are tenuous at best. There are also worries about the environmental sustainability of growth strategies."

Professor Stiglitz pointed out that if a country measures the wrong parameters, it is also likely to commit mistakes in policy-making. He said: "Measures like GDP are part of our information system, and information systems guide how we steer the economy. What is measured and how performance is evaluated can distort outcomes." He referred to the financial sector in the US, where the evaluation of wrong performance parameters led to massive damage not just to the firms themselves, and to their workers and investors, but to society at large.

On the disadvantages of measuring success using GDP, Professor Stiglitz further said: "GDP measures the busy-ness of our economy. But the big question is whether we are busy doing the right things. Making your economy grow more will not necessarily get you the things that people really want. Our preoccupation with GDP makes it difficult for politicians to back policies that are good for society and for the environment but which might not result in an increase in GDP."

On the issue of inequality, Professor Stiglitz asserted that GDP per capita does not measure what is happening to most citizens if at the same time there are changes in income distribution. GDP per capita could be going up and yet most citizens could be becoming worse off. He added that there is no way of summarising distribution of income in a couple of numbers. More important than inequality of income, he added, is inequality of opportunity.

According to Professor Stiglitz, "Our metrics are important not just because they tell us how we are doing but because they serve as guides in policy-making." Professor Stiglitz asserted that we are paying a very high price for inequality. It has weakened economy, undermined democracy and divided society. But the adverse impact may not be adequately reflected in our flawed measure of success, which is GDP.

Professor Stiglitz asserted it is time that the economic profession begins to use alternative measures of success in their analytical and policy-related work.

In his talk, **Richard Layard, Professor Emeritus at the London School of Economics and Founder Director of Centre for Economic Performance** emphasised the importance of subjective measures of well-being. He said: "In my opinion, the definition of quality of life must be based on quality of life as people experience it. That must be the democratic concept of quality of life, not the quality of life as policymakers may define it." Professor Layard applauded the work that OECD has been doing on subjective well-being and the way it is developing measures that could be used in an internationally comparable way.

Karma Tshiteem, GNH Commission Secretary, Bhutan, dwelt upon the concept of gross national happiness or GNH, which is Bhutan's unique and pioneering contribution to the efforts to measure human well-being. He defined it as the achievement of harmonious balance between material and non-material needs of society. "Happiness is what everyone wants out of life, and if that is so then the purpose of development is to allow people to achieve that. This philosophy approved by the government of Bhutan has been there for the last 40 years," he said.

He said that the result of following this approach of enhancing GNH is apparent today, 40 years after the government adopted this philosophy. "It has resulted in enhanced capabilities of people allowing them to tap the opportunities before them. Our culture and tradition continue to flourish and our environment is probably among the best-preserved in the world today," he said.

Romulo Virola, former chief statistician, Philippines informed that **Philippines** is focusing on generating consistent official statistics on well-being. They use of these statistics in policy-making is being encouraged. His country is also making higher investments in generating statistics. Since 1991 Philippines has been conducting quality of life surveys. His country is trying to quantify women's contribution towards GDP. They also formulated standards of good governance which serve as a guide to voters during elections.

Gerardo Leyva, Deputy Director General of Research, Instituto Nacional de Estadística y Geografía, Mexico said that in his country the first step was to promote a discussion on this subject by organising seminars and conferences in which there were presentations from the people from academia and civil society.

Enrico Giovannini, President, National Institute of Statistics, Italy, said: "According to our view progress of society comes from an increase in sustainable well-being."

He informed definitely this project was run together with Economic Labour Council, the constitutional body where the representatives of trade unions, people's associations, etc. work together. "We have 33 stakeholders engaged in discussions about well-being of the country," he said.

On lessons learnt, he said: "You must have discussions before launching any initiative. Secondly, incorporating the local dimension is very important. So, if you want to make the best use of data, you must not forget to include local level dimensions."