

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

Robert A. Cummins
Australian Centre on Quality of Life
Deakin University

<http://www.deakin.edu.au/research/acqol>

Questions

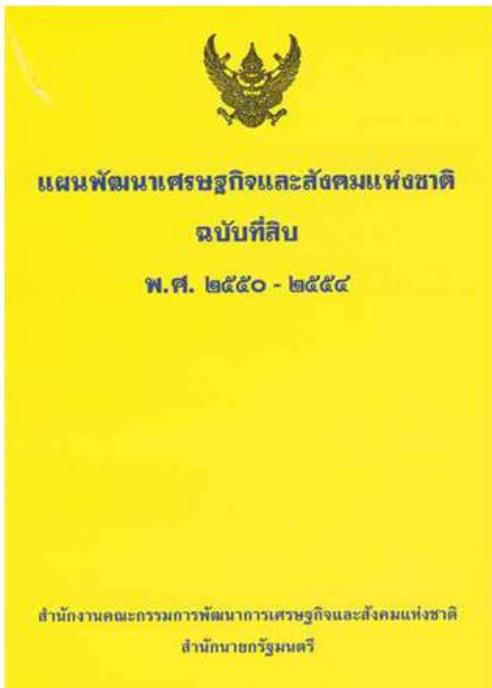
What should be measured to gauge the positive progress of societies?

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

<http://www.nesdb.go.th/Default.aspx>



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

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”

So, how is ‘happiness’ measured?



Office of the National Economic and Social Development Board

The NESDB measures progress of the following broad indicators

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

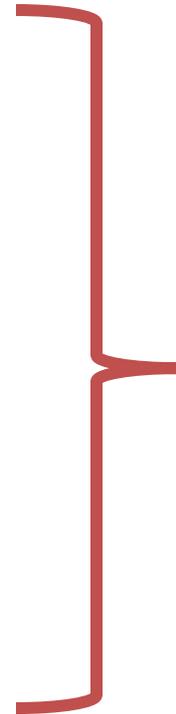
Economics is deployed in these area, in the form of Sufficiency Economy Philosophy, as a tool to help people achieve greater happiness

- *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*
- *Working life*
- *Income and distribution*
- *Environment*
- *Family life*
- *Good governance*

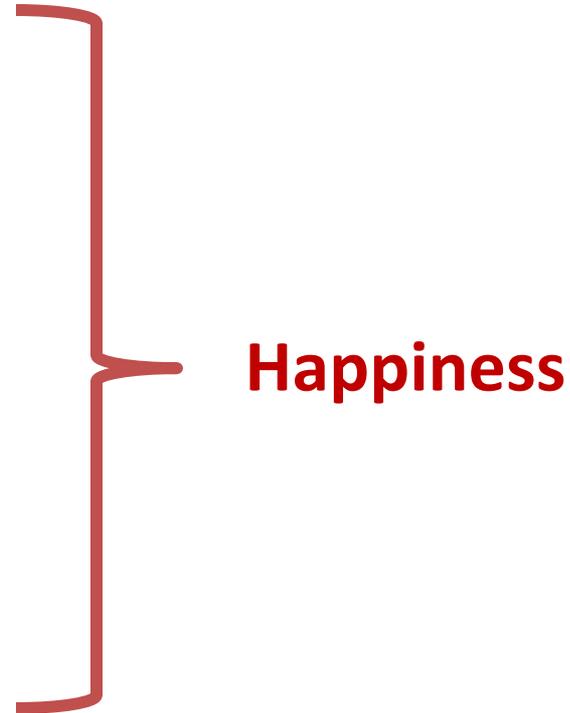


Happiness

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**

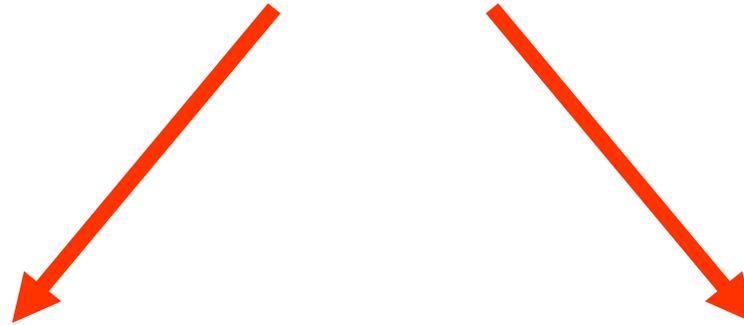
Positive aspects of this approach:

- 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

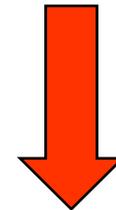
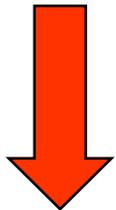
- a) Assuming that wealth (economic development) = happiness**
- b) Not measuring happiness directly**
- c) Not measuring other subjective indices of societal functioning**

Quality of Life



Objective Conditions
e.g. Wealth

Subjective Perceptions
e.g. Satisfaction with wealth



Objective QOL
eg HDI

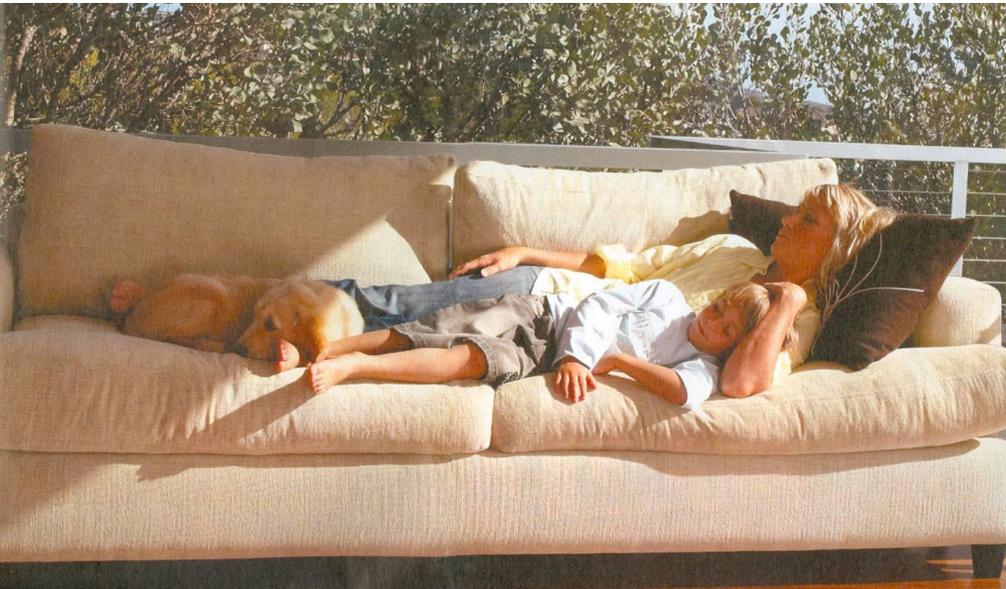


Mood Happiness

Happiness comes in two varieties



Short-term 'emotional' happiness
An emotional response to something nice



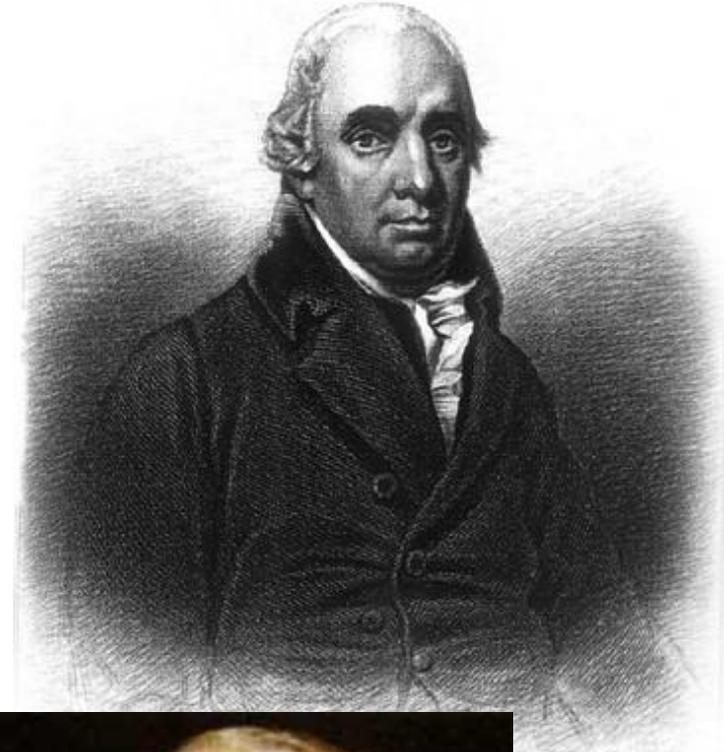
Long-term '**mood**' happiness
A mood with a genetic basis

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.

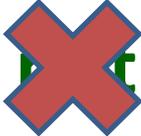
First measures of happiness

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  not be directly measured.

Assumptions within Economic theory

1. Happiness can  not 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

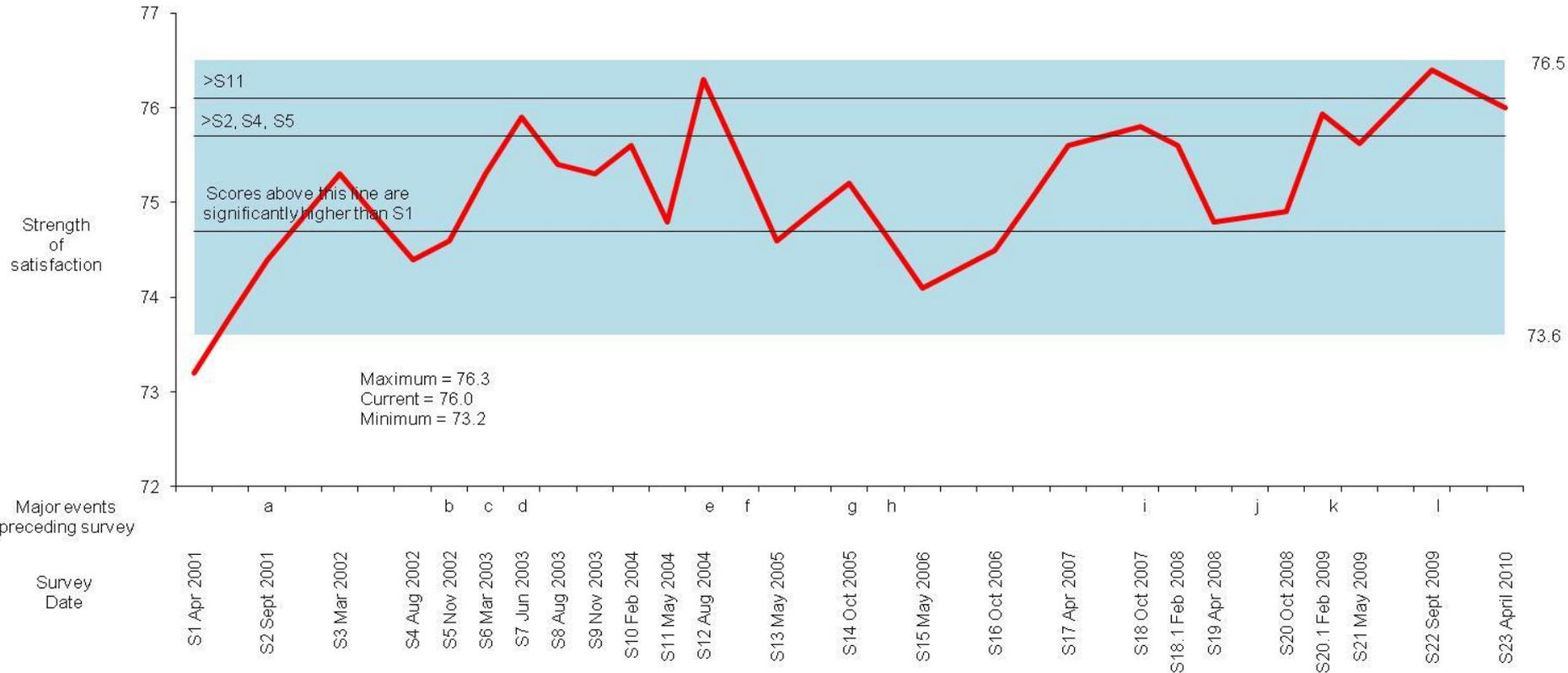
N each survey: 2,000

Method: telephone interview

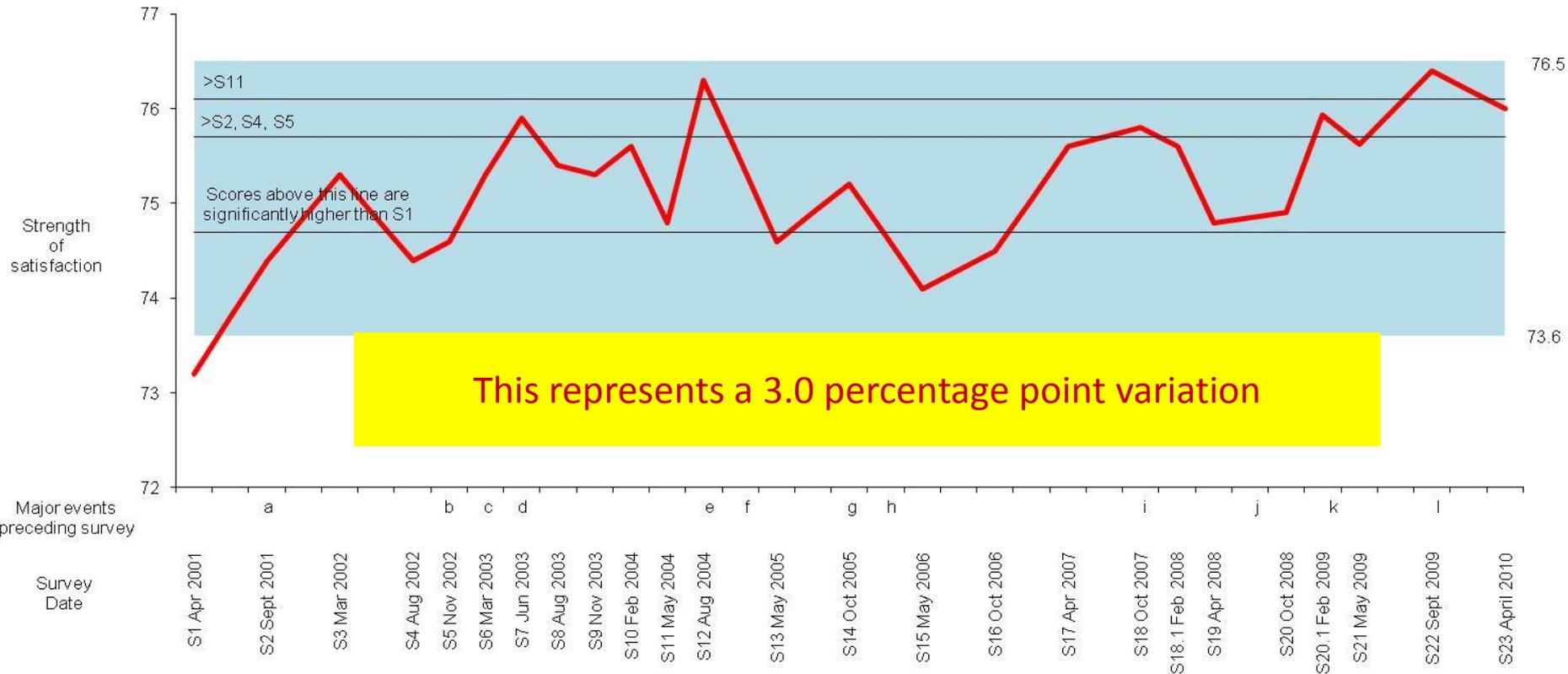
Timing: #1: April 2001

#24: September 2010

Personal Wellbeing Index 2001 - 2010

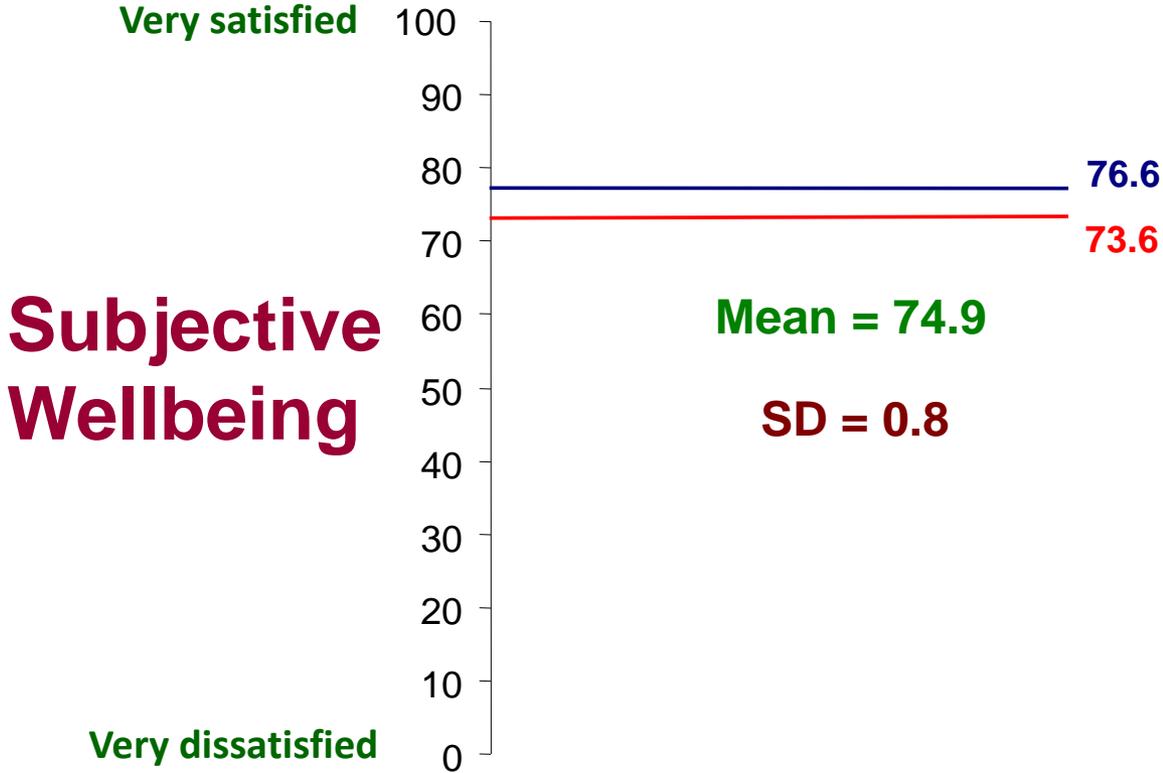


Personal Wellbeing Index 2001 - 2010

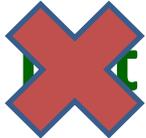


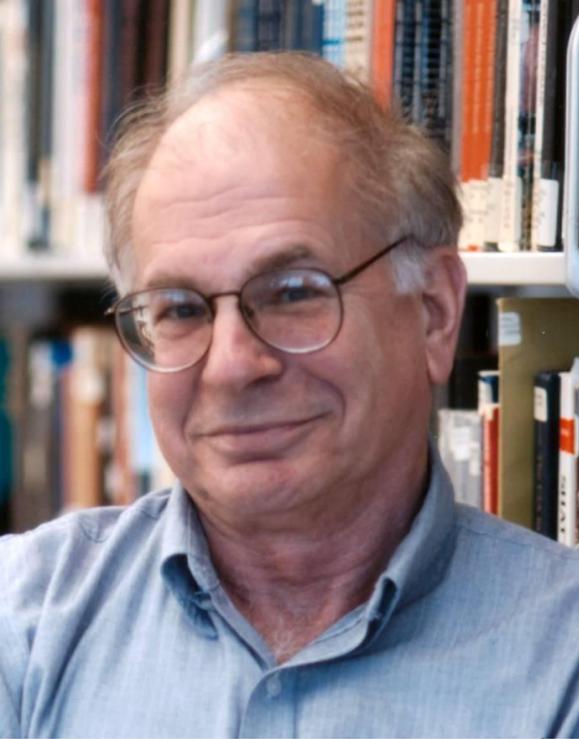
Normative range

using survey mean scores as data (N=24)



Assumptions within Economic theory

1. Happiness can  not 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

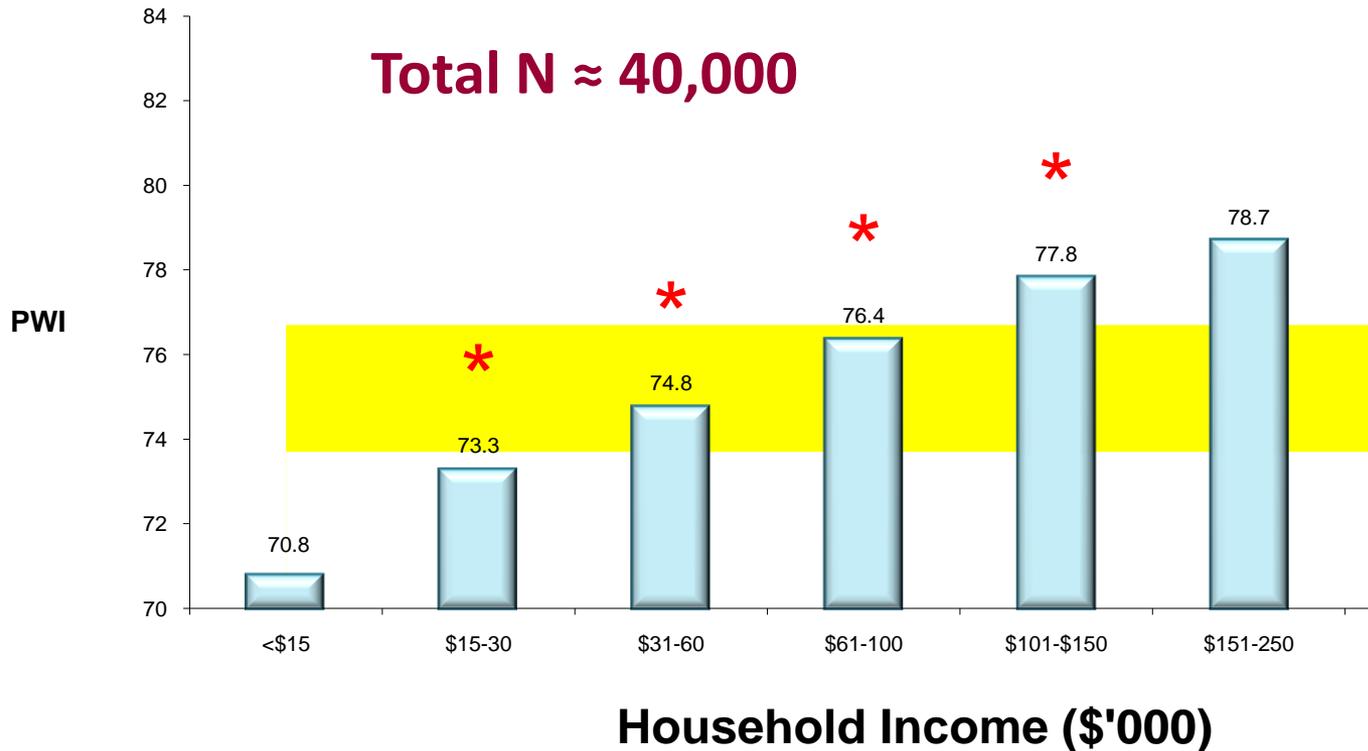
Nobel Laureate in Economics (2002)

'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 can t be measured.
2. Happiness measurements are reliable
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.

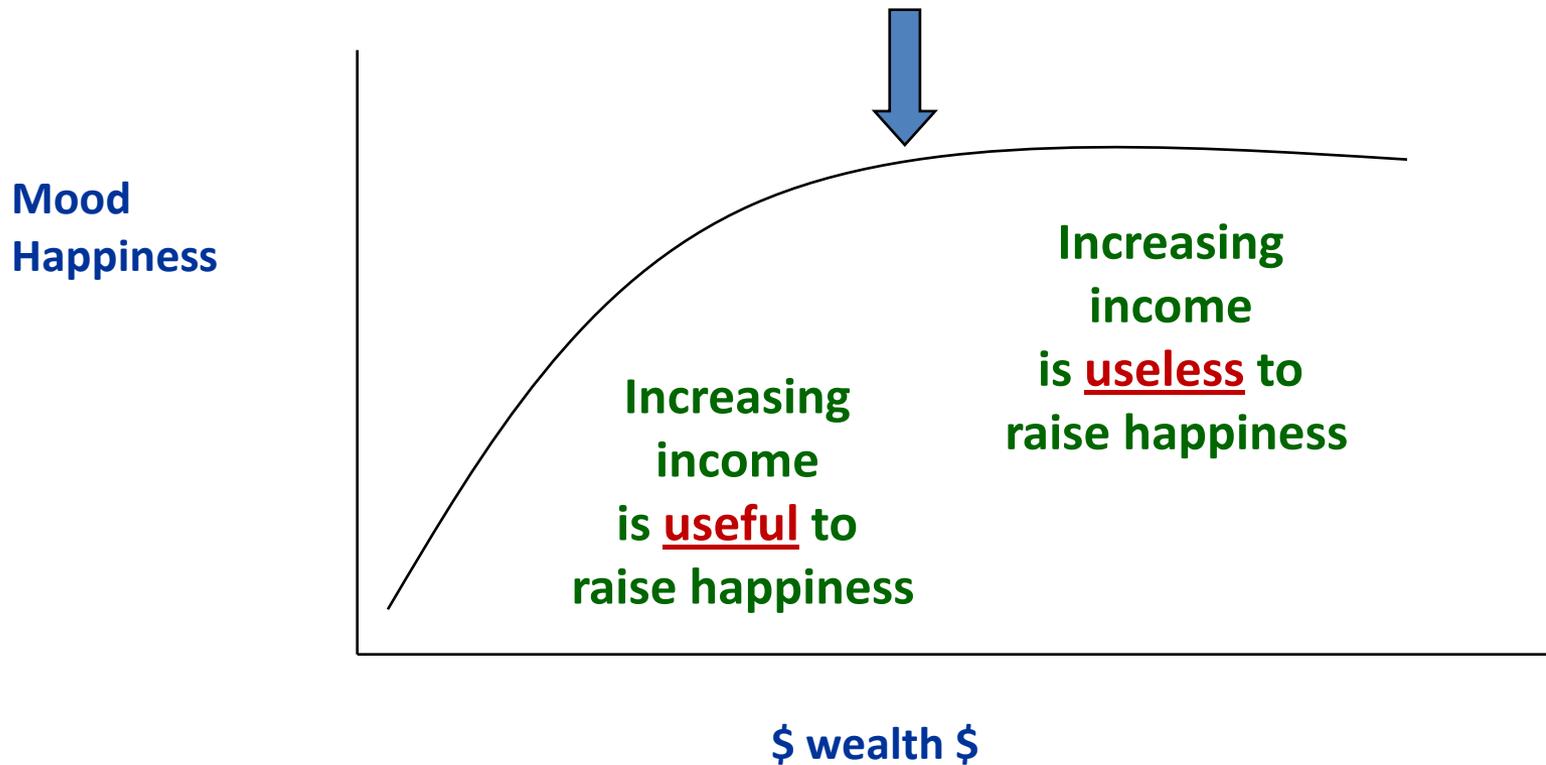
Money as a defensive resource: [Diminishing Marginal Utility]

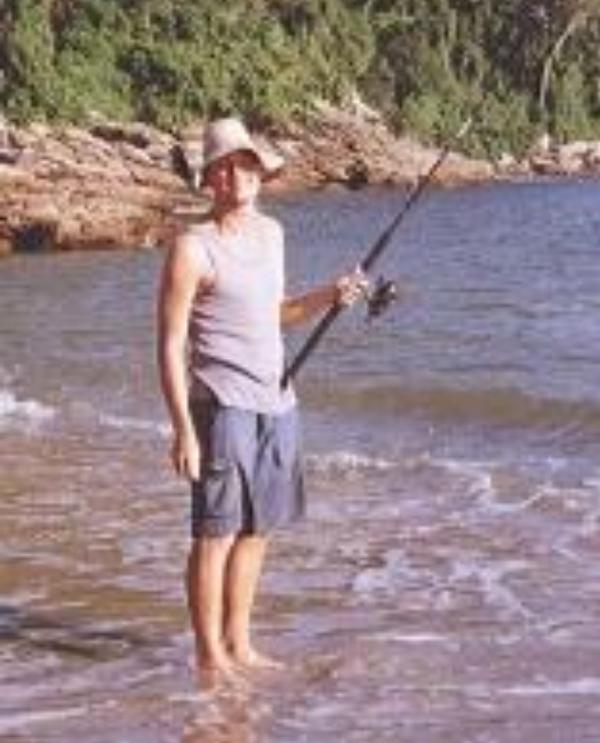


There is a general principle

Threshold

(Income purchases maximum homeostatic protection)





Manfred Lenzen

Professor of Physics
University of Sydney

‘Income, SWB and pollution’

Lenzen & Cummins (2010)

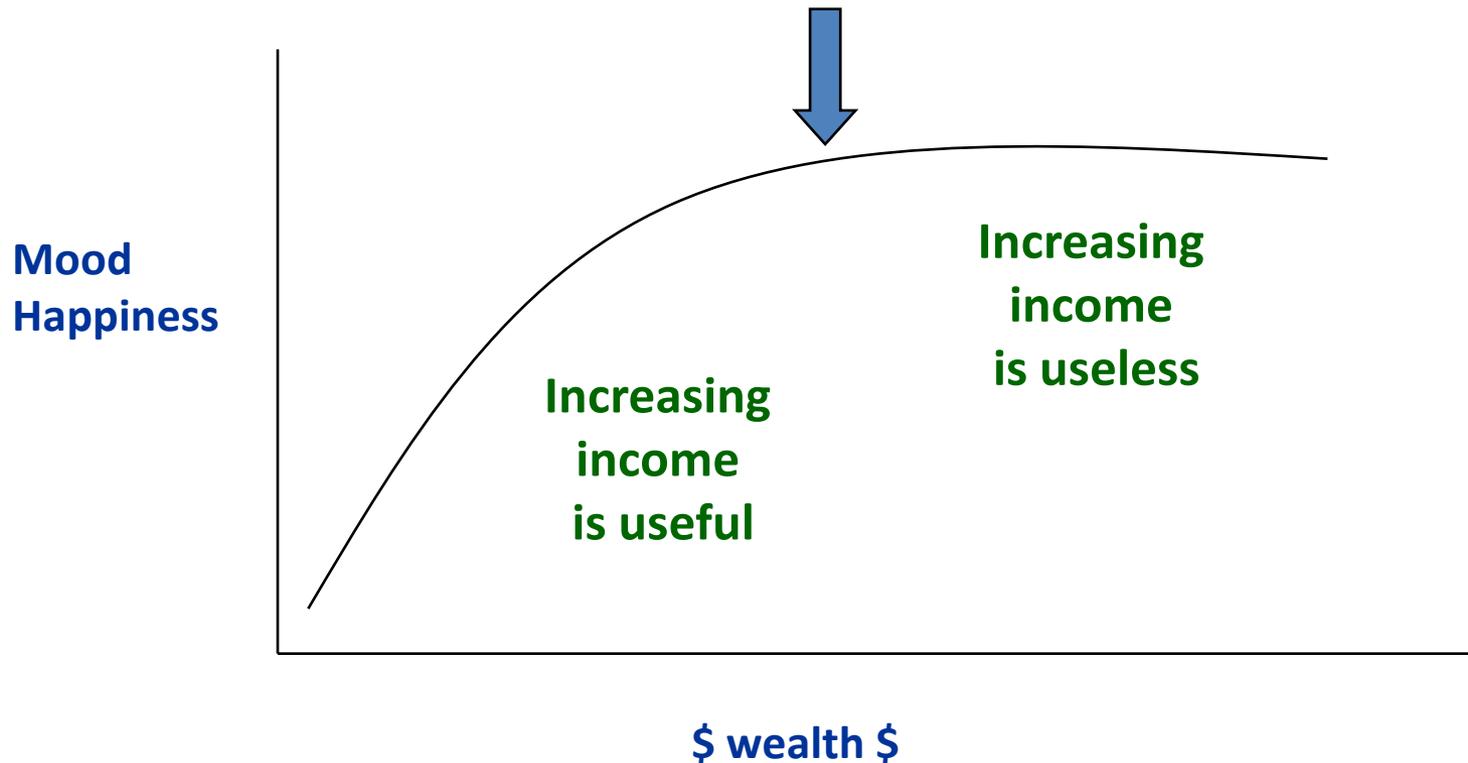
Manfred put together two massive data sets.

- 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.**

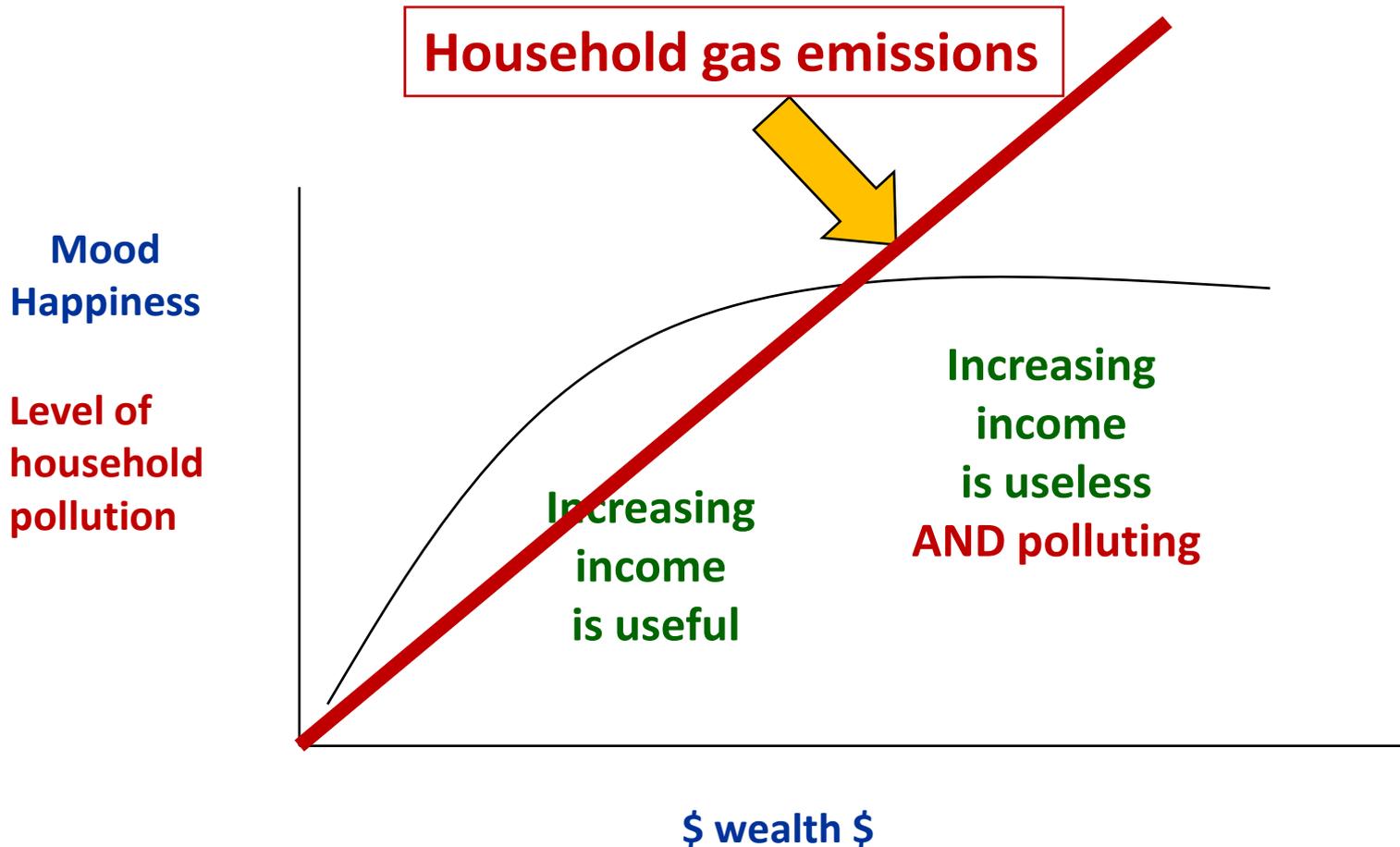
We confirmed the decreasing marginal utility of income on Mood Happiness

Threshold

(Income purchases maximum homeostatic protection)



When Mood Happiness plateaus, pollution keeps rising



Assumptions within Economic theory

1. Happiness can  not be measured.
2. Happiness measurements are  not unreliable
3. Happiness [utility] can NOT be inferred from choice behavior because people always select between alternatives on the basis of rational thought
4. Income is NOT 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–?

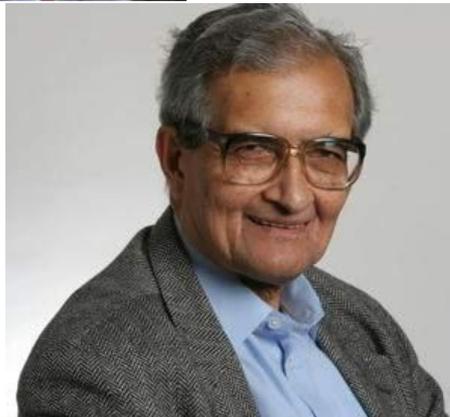
ALL ORDINARIES

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Prof Joseph E. STIGLITZ,
Columbia University



Prof Amartya SEN,
Harvard University



Prof Jean-Paul FITOUSSI,
Institut d'études politiques

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)**

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Finally, serious change is in the air---

Wikiprogress

[OECD]

Mission

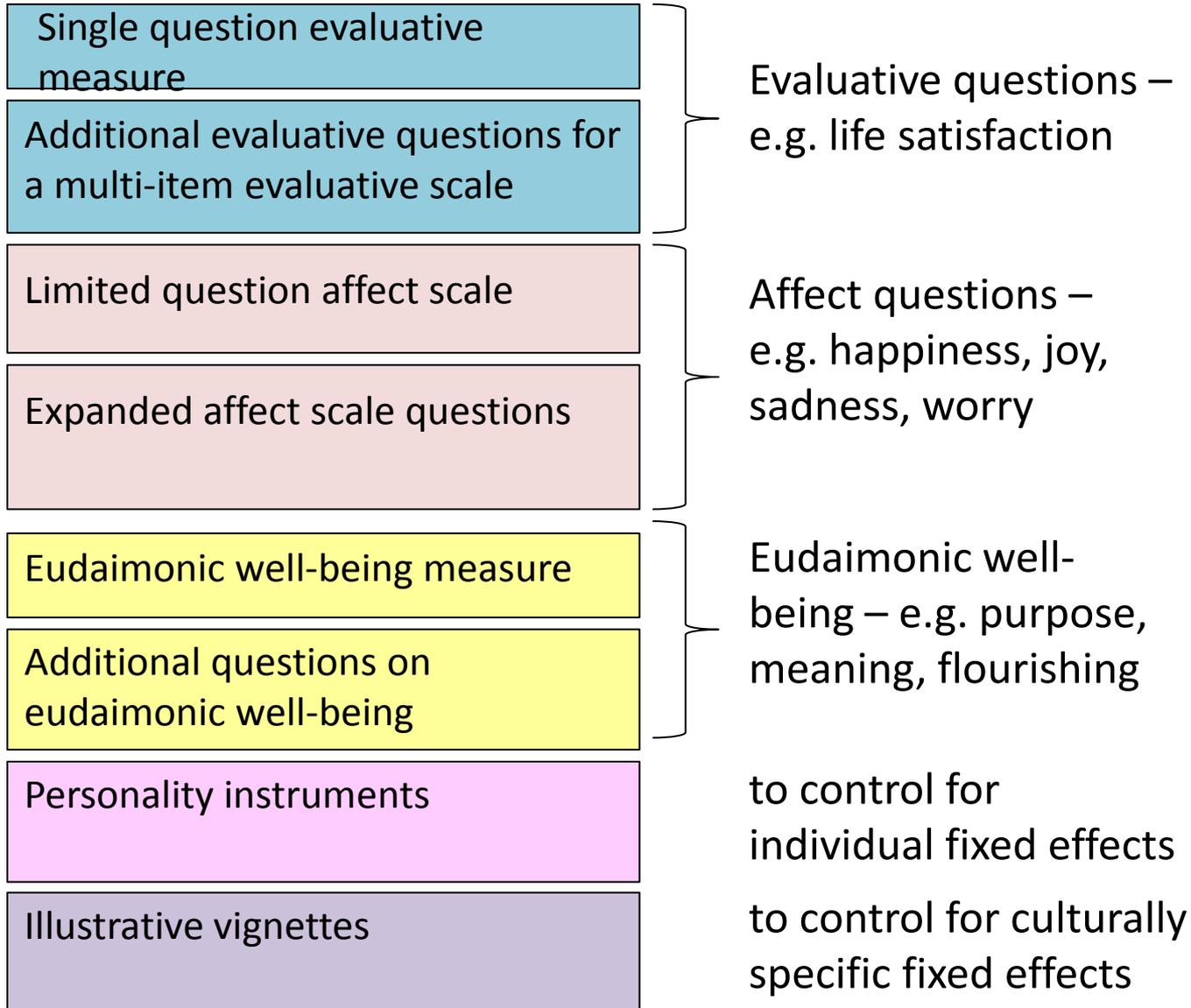
to create a global information tool supported by a world wide partnership of organisations and individuals wishing to develop new, smarter measures of progress.

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

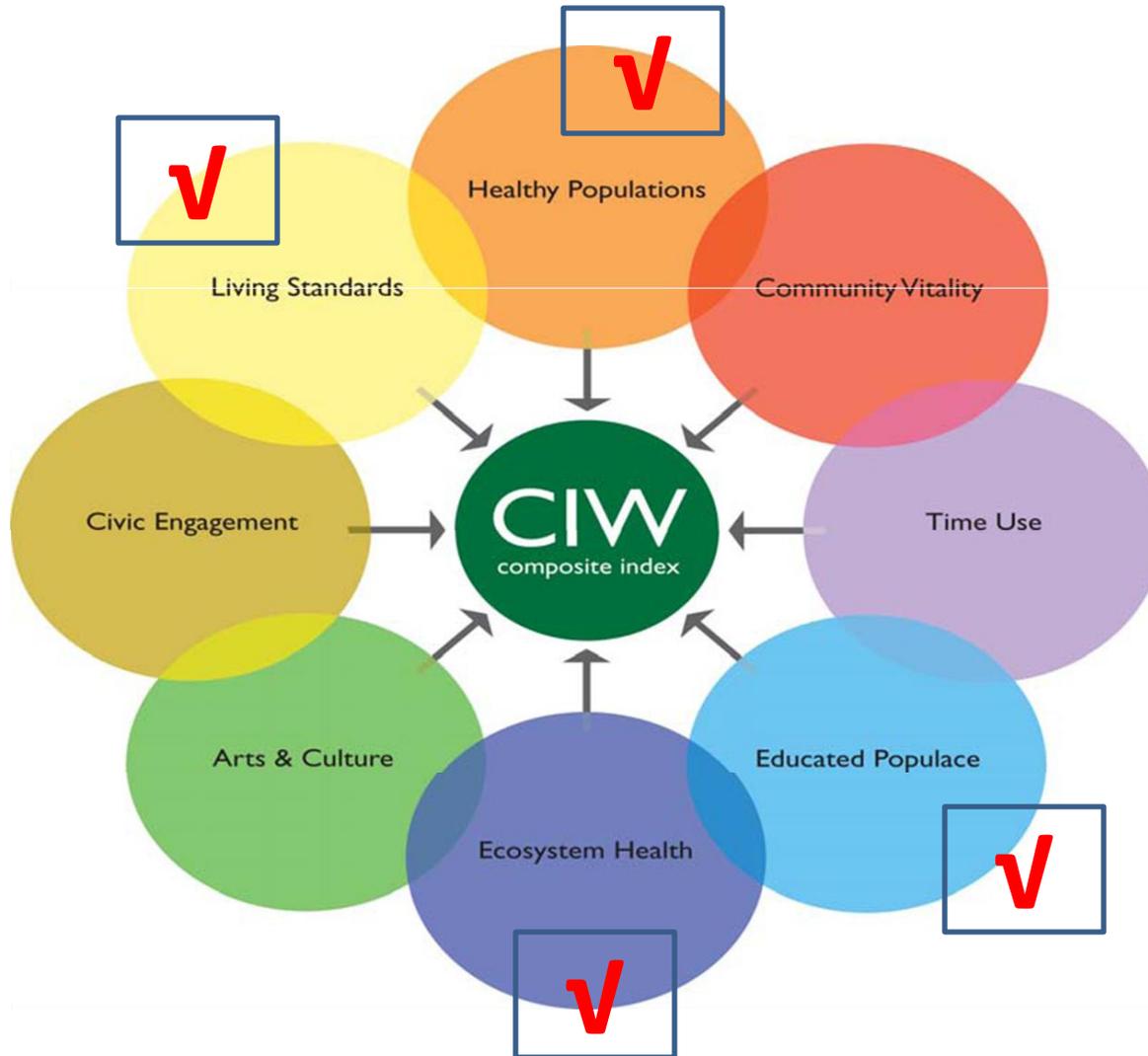


Canadian Index of Wellbeing (2009)

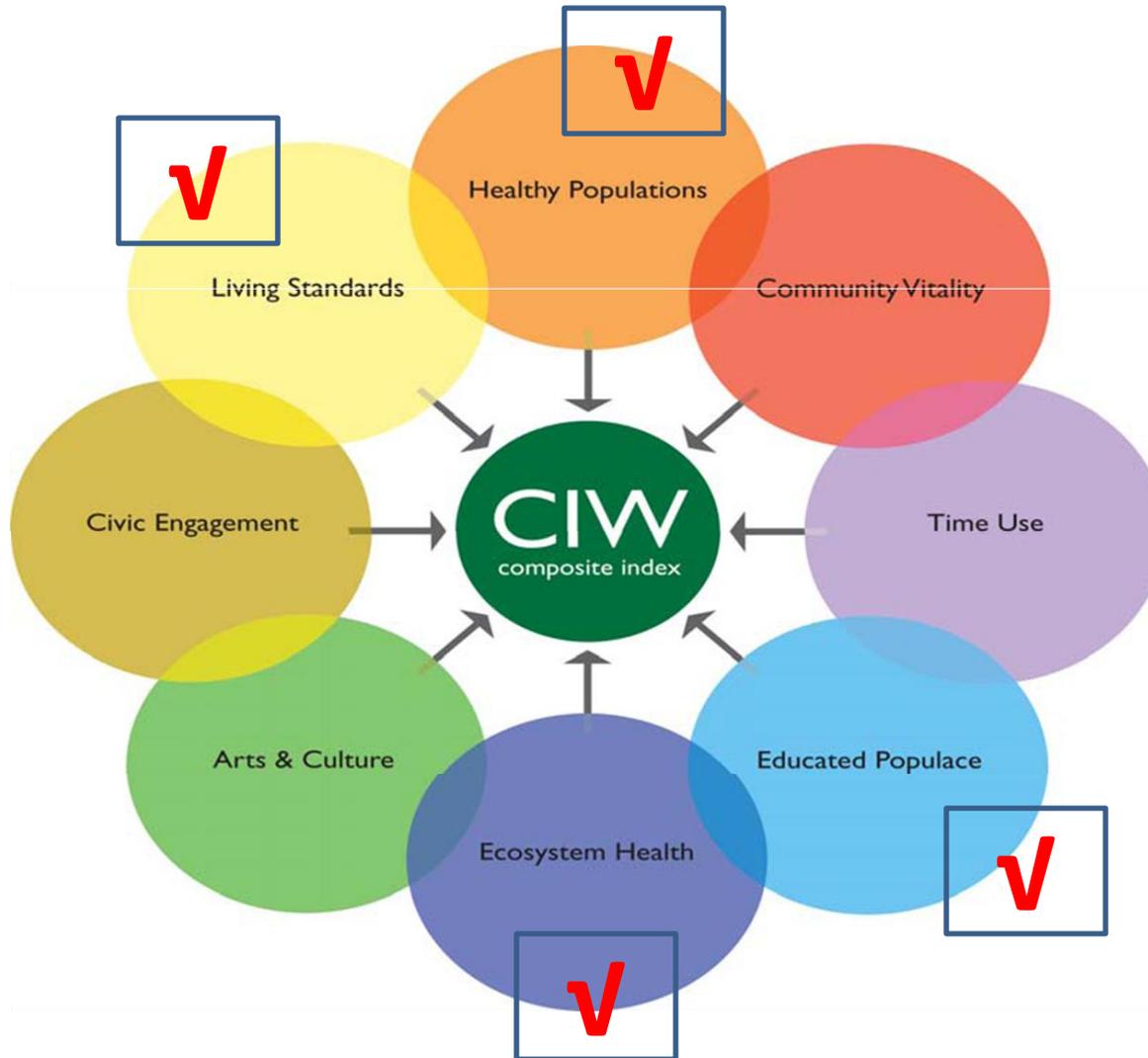
www.ciw.ca/en/AboutTheCIWNetwork.aspx



Matched with 10th Plan



No subjective indicators



A simple, generic subjective indicator

Personal Wellbeing Index

International Wellbeing Group (2006)

<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**