

Institution: London School of Economics and Political Science
Unit of Assessment: 32: Philosophy
Title of case study: Improved quality of life measurement and fairness criteria
<p>1. Summary of the impact (indicative maximum 100 words)</p> <p>Professor Marc Fleurbaey was appointed to the Stiglitz-Sen-Fitoussi Commission (instituted by President Sarkozy) on the Measurement of Economic Performance and Social Progress during 2007-09. His work at the LSE on measures of the quality of life and on criteria for the fair allocation of resources significantly shaped the Commission's thinking and had three forms of impact. A direct outcome of the Commission's report was fifty changes to the way that Eurostat and the associated national statistical institutes of the EU collect, report, and use data. The Commission's report also had impact on public debates around the world and was the subject of discussions in major media outlets globally and at high-profile conferences. Fleurbaey's work for the Commission and his research at LSE also led to his appointment to the Intergovernmental Panel on Climate Change (IPCC) and to his role as an advisor to the French Health Authority and Parliament.</p>
<p>2. Underpinning research (indicative maximum 500 words)</p> <p><i>Research Insights and Outputs:</i></p> <p>Fleurbaey contributed to the Stiglitz-Sen-Fitoussi Commission firstly with a background research document, one of only four such documents used in the writing of the report. He argued that leading justifications for using GDP as an indicator of citizens' wellbeing and command over the resources they need to pursue their plans of life were seriously flawed. Furthermore, he critically reviewed the case for proposed alternative indicators. The paper presented a comprehensive analysis of existing arguments for and against various indicators and offered new justifications for some of these measures [1]. This document was circulated in the Commission and discussed in its first meeting [see Sources 10 and 11]. The Commission's report follows [1] in arguing that the standard attempted justifications for using GDP as an indicator of individual well-being or as an indicator of individuals' command of important resources are unsuccessful. The report also follows Fleurbaey's argument that the following three alternatives to GDP are especially worth developing:</p> <p>(1) An "equivalent income" approach. This measure is an individual's current income minus the amount she would be willing to pay to have a reference level of non-monetary quality of life along various dimensions. For example, suppose the reference non-monetary quality of life is perfect health. Also suppose Jones has an actual income of £30,000 and has poor health. Jones would be willing to give up £17,000 to be in perfect health. Then her equivalent income is £30,000 - £17,000 = £13,000. She will then be considered worse off than Smith, who has an income of £15,000 and is in perfect health. This approach has a long history in welfare economics. While at LSE, Fleurbaey provided a new theoretical justification for its use in combination with an egalitarian criterion for judging the distribution of equivalent incomes. (In brief, Fleurbaey argued that ranking social states by a fair distribution of equivalent incomes follows if one weakens one of the axioms of Arrow's famous "Impossibility Theorem" and adds an axiom that captures a concern for equality; see, e.g. [1], sec. 4 and [2].) Moreover, he rebutted well-known critiques of this criterion. (Among others, Sen had criticised it for its alleged insensitivity to individual variations in need. Fleurbaey argued that one can make the measure sensitive to any number of relevant personal variables, such as physical health, education, etc.) He also did new applied work ([3] and [4]).</p> <p>(2) A "subjective well-being" approach. This draws on both cognitive evaluations—what people think of their life, e.g. in answer to "ladder-of-life" questionnaires asking respondents to rank their life on a scale between 0 (worst possible life) and 10 (best possible life)—and on affective reports (e.g. how they report feeling during particular life episodes).</p> <p>(3) The "capability approach" propounded by Amartya Sen. The two key terms in the approach are "functionings" and "capability sets" and they are defined as follows. "Functioning" is a catchword for</p>

any doing or being in the life of an individual, such as a consumption bundle, a health condition, or a level of education, and so on. At any moment in life, or over the whole life cycle, the actual situation of an individual can be described by a functioning vector. A “capability set” is the set of potential functioning vectors that an individual can obtain if he so chooses. Fleurbaey’s [1], [5] and [6] advanced the debate on measuring such capability sets, criticising some proposed measures and proposing new ones.

Finally, the report’s criticism of average indicators (such as GDP per capita) and advocacy of indicators that focus on the whole distribution and that highlight inequality and the plight of the worst off was shaped by Fleurbaey’s input to the deliberations. His advocacy of egalitarian measures drew on the contributions he made to the theory of fair distribution during his time as a Lachmann Fellow (see [2], [7], [8] and [9]).

Key Researcher: Fleurbaey was a Lachmann Fellow in the Philosophy Department from 2006-09. This is a prestigious research position remunerated through the LSE payroll. As a staff member of the LSE, he was submitted for the 2008 RAE. Fleurbaey was also a Visiting Professor in the 2009-10 academic year.

3. References to the research

1. Fleurbaey, M. (2008a), “Individual well-being and social welfare: Notes on the theory”, *Report Prepared for the Commission on the Measurement of Economic Performance and Social Progress*, Paris, later published as “Beyond GDP: The quest for a measure of social welfare”, *Journal of Economic Literature* (2009) 47: 1029-1075. LSE Research Online ID no:51465
2. Fleurbaey, M. and Maniquet, F. (2008). "Fair social orderings", *Economic Theory* 34: 25–45. DOI number:10.1007/s00199-006-0132-4
3. Fleurbaey, M. and G. Gaulier (2007), “International Comparisons of Living Standards by Equivalent Incomes”, Centre d’Etudes Perspectives et d’Informations Internationales, Working Paper No. 03, Paris. Subsequently published in *The Scandinavian Journal of Economics* (2009) vol. 111(3), pp. 597-624. LSE Research Online ID no: 51464
4. Fleurbaey, M., S. Luchini, C. Muller and E. Schokkaert (2009), “Equivalent income and economic evaluation of health care”, now published in *Health Economics*, online first. Available from LSE on request.
5. Fleurbaey, M. (2007a) “Living standards and capabilities: Equal values or equal sets?”, *Analyse & Kritik* 29: 226-234. LSE Research Online ID no 51467
6. Fleurbaey, M. (2007b) "Social choice and the indexing dilemma", *Social Choice and Welfare* 29: 633–648. DOI number:10.1007/s00355-007-0248-x
7. Fleurbaey, M. (2007c) "Social choice and just institutions: New perspectives", *Economics and Philosophy* 23: 15-43. DOI number: 10.1017/S0266267107001204
8. Fleurbaey, M. (2010) "Assessing risky social situations", *Journal of Political Economy* 118: 649-680. LSE Research Online ID no: 27006
9. Fleurbaey, M. (2008b) *Fairness, Responsibility, and Welfare*, Oxford University Press. LSE Research Online ID no: 51469

All this research is of high quality: [1] through [8] are all peer-reviewed and published in economics or philosophy journals that are "good" (e.g. *Analyse & Kritik*; *Scandinavian Journal of Economics*) to "top of the field" (e.g. *Economics and Philosophy*; *Journal of Political Economy*). All of these publications are contributions to long-standing philosophical debates on the "currency of distributive justice" and on the fair distribution of this currency. Like some of Fleurbaey's work, many key contributions to these debates have been published in economics journals.

4. Details of the impact

The Commission Report (see Sources 10 and 11) draws on and was informed by several publications on which Fleurbaey worked at LSE. It cites several of them on pp. 57, 154-155, 202-3, 214-215, 251, 255, and 285.

Thereafter:

1. Changes in the data collected, reported and used by the European Statistical System

[Source 12, p. 1] states:

“In order to translate the recommendations of the Stiglitz-Sen-Fitoussi Commission report (...) into concrete actions, the European Statistical System Committee has decided to work further on the following priority areas: household perspective and distributional aspects of income, consumption and wealth; [and] multidimensional measurement of the quality of life (...). It is proposed that about 50 concrete actions will be carried out by 2020.”

Among other things, the European Statistical System (ESS) commits itself to:

- a. The introduction of new cross-country standardised measures of the following goods: non-market consumption; leisure time; financial fragility; health; the quality of social relationships; and subjective well-being.
- b. New multi-dimensional measures of quality of life. The latter include new data on “material living conditions, productive and valued activities (incl. work), health, education, leisure and social interactions, economic, job and physical insecurity, governance and basic rights, natural and living environment as well as overall experience of life” [Source 13, p. 21].
- c. Assess inequalities in these indicators in a comprehensive way [Source 13, p. 21].

For several reasons, these changes are of great importance. First, by making available new, reliable, cross-country comparable indices of many aspects of well-being, the ESS will allow public debate and decision-making to draw on more than just the established indicators, which have traditionally focused on economic matters, such as income and employment. Second, the richer, standardized data on the distribution of key indicators in the population will allow for a better-informed debate on distributive issues, including the extent and badness of particular inequalities within and between particular member states and the sensitivity of inequality to policies in different states. Third, the resources of the ESS will be devoted to valuable innovation in the space of social indicators. In sum, these commitments by the ESS are an important step towards ending what the Stiglitz-Sen-Fitoussi Commission called the “mis-measuring of our lives” and the impoverishment of public debate and policy-making that stems from an excessive focus on average attainment and on economic indicators.

2. Public debates around the world

The Report of the Commission on the Measurement of Economic Performance and Social Progress was launched on September 14, 2009. It had an immediate impact on the debate among the public, opinion-makers, politicians and global institutions. The report was published on major newspapers’ websites, and was discussed extensively by at least 60 leading newspapers around world, including the *Wall Street Journal*, *The Guardian*, *Time*, etc. (See Source [14].) Several major conferences on the report were organised, including by the Bertelsmann Stiftung in Berlin and the OECD in Paris (see Sources [15] and [16]). As of September 2013, according to Google Scholar, the report has been cited in academic research and government institutes’ documents over 1000 times.

3. Policy debates in international and national organisations

The work Fleurbaey undertook for the Commission and at LSE has led to further policy-relevant use of his ideas:

- In recognition of the importance of Fleurbaey’s contribution to the Stiglitz-Sen-Fitoussi Commission, he was appointed to the Working Group III of the IPCC, 5th Assessment Report (2010-2014). Chapter 3 of this Working Group’s report (on Social, Economic and Ethical Concepts) is strongly influenced by work Fleurbaey did at LSE; he is coordinating lead author of Chapter 4 (on Sustainability and Equity).

Impact case study (REF3b)

- In France, steps towards using the “equivalent incomes” approach advocated by Fleurbaey in the reimbursement of medicines were discussed with Fleurbaey at the French Health Care Authority (Haute Autorité de Santé) on 30/10/2012 and at the French Parliament on 22/11/2012 with his co-author Prof. Erik Schokkaert (see Source [17]). (Schokkaert held the 2012-13 Belgian Chair in the LSE Philosophy Department and is currently a Visiting Professor.)
- Schokkaert and Bovens ran a conference on Fleurbaey and Schokkaert’s work in June 2013 with participation of the UK Office of National Statistics and the OECD (see Source [18].)

These impacts are important for several reasons. Politicians and the public rightly want to know: (i) what matters to the quality of individuals’ lives; (ii) how to measure the things that matter; (iii) how these things *are* distributed in the population; and (iv) how they *should* be distributed on grounds of fairness. Through his work at the Commission, the IPCC, and his engagement with policy-makers, Fleurbaey’s research at LSE has impacted on all four issues. Fleurbaey’s collaboration with the department on these research topics remains close—he has co-published on these topics with Voorhoeve, Bovens, and Schokkaert.

5. Sources to corroborate the impact

All Sources listed below can also be seen at https://apps.lse.ac.uk/impact/case_study/view/100

10. Minutes of the first plenary session of the Commission on the Measurement of Economic Performance and Social Progress Paris, 22 - 23 April 2008.

<https://apps.lse.ac.uk/impact/download/file/1603>

11. Report by the Commission on the Measurement of Economic Performance and Social Progress (2009) http://www.stiglitz-sen-fitoussi.fr/documents/rapport_anglais.pdf

<https://apps.lse.ac.uk/impact/download/file/1606>

12. ESS (2011a) Measuring Progress, Well-Being and Sustainable Development: The response of the European Statistical System to the Report of the Stiglitz-Sen-Fitoussi Commission.

http://epp.eurostat.ec.europa.eu/portal/page/portal/pgp_ess/0_DOCS/estat/Measuring_Progress_Well_being_sustainable%20development.pdf

<https://apps.lse.ac.uk/impact/download/file/1607>

13. ESS (2011b) Sponsorship Group on Measuring Progress, Well-being and Sustainable Development Final Report adopted by the European Statistical System Committee November 2011.

http://epp.eurostat.ec.europa.eu/portal/page/portal/pgp_ess/0_DOCS/estat/SpG_Final_report_Progress_wellbeing_and_sustainable_deve.pdf

<https://apps.lse.ac.uk/impact/download/file/1608>

14. OECD (2009) Media Review of Articles about the Commission on the Measurement of Economic Performance and Social Progress.

<http://www.oecd.org/site/progresskorea/mediareview.htm>

15. Muller, Almut (2009) “The Stiglitz-Sen-Fitoussi Report in Berlin.”

<http://www.berlinbrief.org/?p=499>

16. Cowan, Lisa (2011) “Two years after the Stiglitz-Sen-Fitoussi report, What Well Being and Sustainability Measures?” <http://www.ethicalmarkets.com/2011/11/02/two-years-after-the-stiglitz-sen-fitoussi-report-what-well-being-and-sustainability-measures/>

<https://apps.lse.ac.uk/impact/download/file/1609>

17. Testimonial corroborating French Parliament impact. This source is confidential.

18. LSE Choice Group (2013) “Conference on Measuring Well-Being in the UK, Europe, and the OECD.”

<http://www.lse.ac.uk/CPNSS/research/currentResearchProjects/ChoiceGroup/events/measuringWell-BeingInTheUKEuropeAndOECDCountries.aspx> Source files:

<https://apps.lse.ac.uk/impact/download/file/1610>