Towards a Measure of non-Economic National Well-being Achievement: μ_i and other Constructs

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SUMMARY

It is common to treat human well-being as a multidimensional concept, enveloping diverse, separable or behaviourally distinct components, domains or dimensions It is in particular thought to be a much richer or vital concept than economic well-being: much of the literature is justifiably emphatic about this point. Accordingly, there is a long history of efforts to both refocus attention away from the established, although invariably far less than perfect, monetary measures of national economic well-being achievement and to better capture non-economic well-being achievement. A plethora of indicators has been proposed for these purposes. Indicators of health and educational status are most widely-used in inter-country ordinal and cardinal assessments of national well-being achievement, and are now available for diverse samples of 160 or more countries. Multidimensional indicators are also available for similar samples, based either solely or predominantly on these indicators, and include the Physical Quality of Life Index (PQLI) and the very well-known Human Development Index (HDI).

As valid as their conceptual justifications might be, these standard indicators are often highly correlated, both ordinally and cardinally, among countries with income per capita, the most accepted measure of economic well-being achievement. This is especially the case for large, diverse samples of countries, much to the frustration or disappointment of the proponents of these indicators. Inter-country variation in non- or non-exclusively economic well-being achievement, measured using these standard measures is, therefore, well-predicted by variation in economic well-being. An implication of this relationship is that the standard non-economic or non-exclusively economic measures might not capture the rich essence or vitality the well-being concept, giving an incomplete picture of it. The contribution of the standard non-economic measures has been questioned on these grounds, with some commentators going so far as to claim they are empirically redundant *vis-a-vis* income per capita.

Yet a simple and instructive point has been either overlooked or given insufficient attention in the literature. While there is a high correlation between income per capita and the standard non- or non-exclusively economic indicators in large and diverse samples of countries, some countries perform better in the latter than predicted by the former and some countries perform worse. What would seem, therefore, to be more interesting and informative, than correlations between indicators, is that variation in measures of standard non- or non-exclusively economic well-being not accounted for by income per capita. A measure of this well-being achievement, on which international comparisons are based, would appear to be warranted. Such is the focus of this paper.

This paper commences by extracting, using principal components analysis, the maximum possible information from various standard national non-economic well-being achievement measures. It then empirically identifies the variation in this extraction not accounted for by variation in income per capita, in the form of a variable called μ_i. This variable is the residual yielded by a cross-country regression of the extraction on the logarithm of PPP GDP per capita. μ_i is interpreted as *inter alia* a measure of non-economic human well-being achievement *per se*, in the sense that it captures well-being achieved independently of income. Given that μ_i is a purely statistical construct, obtained econometrically, the paper then looks at correlations between this measure and variants of it and other well-being or well-being related indicators in an attempt to find the variable or group of variables which best captures non-economic well-being achievement. It should be emphasised that this a purely measurement exercise, in that inferences regarding causality are not drawn explicitly. It is though of potential practical benefit, as it provides a case for allocating more resources to the collection and reporting of this variable or variables. Measures of youth education status and gender empowerment performs best in this regard, although none of these less widely-used indicators perform better than a very widely-used one, adult literacy. The paper also examines the implications of this result for the collection and reporting of well-being statistics and for future research.