In Search of the Good Life

The [OECD](http://www.oecd.org/pages/0,3417,en_36734052_36761800_1_1_1_1_1,00.html) (Organization for Economic Cooperation and Development) this week came out with their [2012 How’s Life? Survey](http://www.oecdbetterlifeindex.org/#/13313212111). Rather than just comparing per capita incomes between countries, the OECD has created a quality of life index based on eleven different criteria. They are: housing, income, jobs, community, education, environment, civic engagement, health, life satisfaction, safety, and work-life balance. These variables break down as follows:

Housing: rooms per person, dwelling with basic facilities, housing expenditure (percentage of income spent on housing)

Income: household net adjusted disposable income, household financial wealth

Jobs: employment rate, long term unemployment rate, personal earnings, job security

Community: percentage of people who have friends or family they can rely on in time of need

Education: educational attainment (percent with a high school degree), student skills, years in education

Environment: air pollution, water quality

Civic Engagement: voter turnout, government transparency

Health: life expectancy, self-reported health

Life Satisfaction: self-reported life satisfaction (supposed to measure fulfillment, not current happiness)

Safety: Assault rate, homicide rate

Work-Life Balance: percentage of workers working more than 50 hours per week, time devoted to leisure/personal care

There is nothing inherent in the free enterprise system that suggests that people’s quality of life should be measured purely in their per capita income. In that light, attempting to come up with a better quality of life measurement is a worthwhile goal. To its credit, the OECD has a tool that allows the user to alter the weights of the eleven variables to create a quality of life index consistent with the values of each person using the index. On the other hand, the quality of life index has room for improvement.

The big picture problem is that it looks at groups of people rather than individuals. While I am interested in my personal well-being and the well-being of my immediate family, why should I care more about the happiness of a Cubs fan from the North side of Chicago more than I care about the happiness of a Senator’s hockey fan in Canada? In reality, I might really enjoy the fact that the Cubs are awful even as I root for the Senators. As a practical matter, I suppose I want the people who I come into contact with to be satisfied with their lives so that they will smile rather than scowl at me, or so that they will help me rather than steal from me.

Average well-being for a country can mask large levels of inequality within a country. It also tells us little about one’s opportunity to improve one’s position in life. Someone who is temporarily poor and unhappy but who has a discernible path to happiness/ wealth ahead of them surely must be better off than one who is destined regardless of their actions to remain poor and unhappy. What if some members of society really enjoy oppressing others and therefore report high levels of self-satisfaction? I’m willing to bet that southern slave owners in 19th Century America would have reported extremely high levels of self-satisfaction.

In this light, there are some glaring omissions from the quality of life index. The first is economic freedom. Are people able to freely enter into contracts that are both voluntary and enforceable in a court of law? The second is political freedom. Voter turnout was high in the Soviet Union, but that doesn’t mean that people had a choice of who ruled over them. One possible proxy would be incumbent re-election rate as a proxy for ease of changing out rulers who do not reflect the will of the governed. A similar proxy would be the percentage of people who have held public office. Both economic and political freedoms represent treating the individual rather than a community as the basis for comparative analysis.

With regard to safety, why include only physical safety? Why not include the safety and security of property? This could include theft rates. It could also include the ability of government to forcibly take people’s property via forced taxation, or confiscation. Again, measured at the individual level, rights to property, freedom of the press, freedom of speech, and freedom of religion are not unimportant to individual self-satisfaction.

Community should include the percentage of people’s incomes they voluntarily donate to charity. A proxy for honesty, such as the rate of convictions for fraud would also be helpful for community. Can you trust your neighbor? Likewise, divorce rates, or out of wedlock child births are important variables to consider for community as measured by stable family environments for children. Even a religiosity proxy (such as routine worship attendance) can give insight into community. Charles Murray in his recent book*, Coming Apart*, attributes the decline of American community at the feet of declined industriousness, honesty, religiosity, and the breakdown of the family unit.

Governments have a tendency to try to maximize that which they measure and what they determine is important. In this light, it is very important to move away from strict GDP accounting and take a look at what it takes to facilitate flourishing lives. However, failure to recognize individual rights or fulfillment by concentrating only on aggregate statistics could lead to some very bad government policies. After all, there is extreme job security and a high employment rate under slavery.

Note: The Capitalism Today blog will reconvene in August 2012 as Dr. Strow focusses more attention on his peer reviewed research in June and July.