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From subjectivity to inter-subjective standards?

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From subjectivity to inter-subjective standards?

JAN LUITEN VAN ZANDEN

Thanks for the illuminating contributions to this debate. Let me start by clarifying that I am not against composite indices of well-being – on the contrary, I have devoted much time and energy to experiment with this idea. My main concern is that we should move into the direction of common standards for this kind of work, that we should develop a common framework for the construction and analysis of such composite indices, instead of constructing our own particular indices for our own particular project. In the two volumes of *How Was Life?* we tried to suggest certain standards to which I return below, but clearly this has not had the impact we hoped for. We did not anticipate the contribution by Amendola, Gabbuti and Vecchi, restated in their note on composite indices to this debate, that the degree to which dimensions of well-being are substitutes of other, and that the «production» of well-being can be conceptualized as CES production function, which in a way further complicates but also clarifies the problems that we face.

One way to look at this debate is to compare it with the debate in the 1940s and 1950s about how to conceptualize and measure GDP. Economic theory could only to a very limited degree guide the choices that had to be made – for example about the issue whether the manufacture of arms should be considered a contribution to national income or not (Kuznets defended the latter position, but his view was discarded). Welfare economics was the «natural» home to the «new» concept – which was used to measure the welfare of nations – but the concept that emerged, national income, was only very distantly related to mainstream welfare economics (the latter measured welfare as the consumer surplus, whereas national income was measured as the actual output/value added of the products concerned). Yet, despite the weak theoretical foundation of the concept, it was a huge success, partly because the experts managed to create a common framework for estimating it, partly because it fitted economic and political realities of the period, and partly because it was a very convenient measure (one could compare almost everything – consumption, investment, government spending with national income).

The popularity of the well-being debate shows that this concept also fits contemporary economic and political realities in at least certain coun-

tries – including the Netherlands. But possible success is undermined, in my view, by the fact that it is a very abstract concept, difficult to visualize – but perhaps creative minds can do something about this. The real problem, however, is the lack of consensus about how to measure it, leading to a proliferation of scholarly work based on – we all agree – subjective choices of well-being dimension, weights, transformations and degrees of substitution between dimensions. The «degrees of freedom» are huge, which will make it impossible for an author or a team of authors to set a standard that will be accepted by all involved. In the *How Was Life?* reports we tried to propose a certain standard, building on the OECD *How Is Life?* project, and making use of large historical datasets that were collected for this purpose. We, in fact Auke Rijkma, the author of the two concluding chapters, used factor analysis to trace common patterns and to analyse the evolution of a latent variable, which was assumed to represent well-being. Much can be said about this – it is certainly not the final solution for the choice of weights – but it shows that smart econometrics may help to address some of the problems. The other step that we can take is even more important: to start an open discussion about the standards of this kind of economic historical research. Does it make sense to follow the OECD guidelines? Which dimensions are relevant for long-term historical research? The list of questions is long, and it is unclear how consensus can be reached. Perhaps the model of the Maddison Project, which plays this role for historical national accounting, can be adopted. A common standard cannot claim monopolistic power, but will help to make this academic work more comparable in time and space. I am happy to help organize such an initiative.