

## Symposium on “Multidimensional subjective well-being”

### Preface

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When we speak of the thread of growing inequalities to what concept are we referring to? What kind of semantics do we have in mind? Firstly we have to focus on the inequalities of outcome. The equality of opportunities can be mainly a policy option, because its effects on the outcomes can differ very much if there is or not social mobility. Secondly usually in comparing one country to another or in comparing different regions or geopolitical entities inside the same country, the traditional economic approach, that is the “average income”, is unsatisfactory. The same result can be reached in a country with a pyramidal vertical shape of the income distribution and in another with a cubic horizontal shape. Therefore other measures are necessary to represent the economic distribution. For example, the median that measures the income that is at the border between two halves of the population, is an alternative option. Or better the Gini Coefficient that is more sensible about the overall distribution. Thirdly the GNP, that is the reference of the average income, includes only the value market of goods and services. It excludes, therefore, a great part of the economic activity that are not marketable as the public social services, the unpaid house work that represents between 30 and 40 % of GNP, and the leisure activities whose value doubles the family income. When these data are included in the new measure of extended income the inequality between country changes dramatically. For example, as the 2010 Stieglitz Report described, the inequality between France and US calculated as 66–100 according to the average income becomes 89–100 according to the extended income. Lastly there is the problem of the quality of life and the sustainability. The previous economic measures are not able to represent the real target of any public policy: the physical and psychological wellbeing of the citizens. It is clear that the more social public services, such as health and education, and the more leisure activities we have, the

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more this is a proxy of a measure of wellbeing. But as cognitive economics, economics of happiness and economics of capacity are showing there is the need of more articulated and empirical measures about the psychological and physical state of the citizens and of the relative life chances, opportunities and social “ligatures”. Without them we can have the paradox of opposite inequalities: one country very superior to another in income but very inferior in quality of life. Obviously there is the problem of statistical feasibility of these data. That is also the problem of the last kind of inequality: that between different generations. The measure of sustainability, in particular but not only the environmental ones, are fundamental to understand how much we are exploiting our natural resources and how much we are or not building physical and institutional infrastructures that will allow or not a better or worst life for the future generations. Myopia and “shorttermism” can generate an irreversible disaster as in the history of Easter Island.

Starting from this premise it is clear that it is better to speak of inequalities in the plural. From this point of view there is an almost universal agreement about the current growth of inequalities within most countries of the world but a decrease of income inequalities among the first, emerging and third world countries. In particular whereas until the 70 in the western countries there was a growth of the equalities from the point of view of extended income and quality of life, since then the process stopped and reversed. The democratisation of living standards has masked a dramatic concentration of incomes over the past 30 years, on a scale that matches, or even exceeds, the first Gilded Age. Including capital gains, the share of national income going to the richest 1 % of Americans has doubled in 2012 since 1980, from 10 to 20 %, roughly where it was a century ago (and this trend is strengthening nowadays). Even more striking, the share going to the top 0.01 %—some 16,000 families with an average income of \$24 m—has quadrupled, from just over 1 % to almost 5 %. That is a bigger slice of the national pie than the top 0.01 % received 100 years ago. This is an extraordinary development, and it is not confined to America. Many countries, including Britain, Canada, China, India and even egalitarian Sweden, have seen a rise in the share of national income taken by the top 1 %. The numbers of the ultra-wealthy have soared around the globe.

Income gaps have also changed to varying degrees. America’s Gini for disposable income is up by almost 30 % since 1980, to 0.39. Sweden’s is up by a quarter, to 0.24. China’s has risen by around 50 % to 0.42 (and by some measures to 0.48). These data are more dramatic if we add the decrease of the social welfare in most countries of the world caused by the growing fiscal cuts to the welfare policies. The biggest exception to the general upward trend is Latin America, long the world’s most unequal continent, where Gini coefficients have fallen sharply over the past 10 years. But the majority of the people on the planet live in countries where income disparities are bigger than they were a generation ago.

Last point: why does inequality matters so much? One Kantian answer is that equality is an priori universal value and central pillar of civilization. An alternative answer, dubbed as Humean sentimentalism, is that inequality is emotionally unacceptable. But there is also an utilitarian consequentialist option: inequality hinders economic growth, endangers democracy and breaks social cohesion. For example, contrary to the main stream economics of incentives, research by

economists at the IMF suggests that income inequality slows growth, causes financial crises and weakens demand. In a recent report the Asian Development Bank argued that if emerging Asia’s income distribution had not worsened over the past 20 years, the region’s rapid growth would have lifted an extra 240 m people out of extreme poverty. Main economic reasons are: (1) the upper 1 % saves from 15 to 25 % of their income contrary to the bottom 50 % that expends all the income. Therefore redistribution increases the internal demand, whereas inequality has recessive effects; (2) the generous fiscal policy for the upper 1 % reduces the budget for education, research, infrastructures that are strategic for economic growth; and (3) finally financial deregulation and protection of the rent seeking (for example stock options and incentives to bankers) in favour of the 1 %, increased a pathological risk propensity responsible of abnormal financial leverage and speculative bubble that cause economic inefficiency, instability and crises. Therefore public fiscal cuts and financial *laissez-faire* are at the same time common causes of growing inequalities and of decreasing growth.

The Fondazione Rosselli, hosted in Turin two International Workshops on *Multidimensional Subjective Well-Being* on 30 and 31 October, 2014. The Workshops were organized by the International Herbert A. Simon Society in collaboration with OECD-High Level Expert Group on the Measurement of Economic Performance and Social Progress, and Collegio Carlo Alberto.

The Workshops were organized thanks to the support of Compagnia di San Paolo.

The events were intended to follow up and deepen the work of the Commission on the Measurement of Economic Performance and Social Progress (<http://www.stiglitz-sen-fitoussi.fr/en/index.htm>), created in 2008 by French President Nicholas Sarkozy, to identify new indicators of wealth and well-being, besides the commonly used measures of economic performance, mainly based on GDP figures. The Commission was chaired by Joseph E. Stiglitz, with Amartya Sen (Chair Adviser), and Jean-Paul Fitoussi (Coordinator of the Commission).

More than 50 experts were involved during the Workshop of October 30, divided into four thematic sessions. The results and recommendations from the Panel of experts were presented to the public during a Round Table in the morning of October 31.

On October 31, in the afternoon, a Workshop of the Simon Society on *Multidimensional Subjective Well-Being*, was organized in collaboration with Collegio Carlo Alberto, with a plenary session followed by a number of parallel sessions to present the twenty papers selected among the submissions received in response to a Call for Papers launched a few months earlier.

The articles published in this Symposium were regularly submitted to Mind and Society and underwent double blind peer review.