

Measuring Welfare: Why, what and how

Nicolas Fayard, Alexis Tsoukiàs

LAMSADE - CNRS, PSL, Université Paris-Dauphine

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Outline

1 Why

2 What

3 How

Aiding policy design

- Evaluation of actions and policies.
- Exploration out of the box.
- Constructing legitimacy

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Normative view

A policy is legitimated/accepted if protects/improves the welfare of the citizens

Problems

- What is welfare for the citizens?
- Is welfare the same for everybody?
- How to measure welfare?

Mainstream

- Citizens are consumers
- Welfare is their consuming capacity
- Welfare is measured individually through income
- Welfare is measured collectively through GDP

However

- The same bundle of goods might be appreciated differently by citizens apparently similar among them.
- Improving simultaneously the distribution of goods among all citizens it might be impossible.
- There exist goods, contributing to our welfare, which belong to nobody, but are used by everybody: the commons.

A single citizen

- Is endowed by private goods.
- Has access to the commons.
- Can perform a number of actions.
- Which consume the private goods and the commons.
- And are subjectively appreciated.

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The welfare will be:

the Pareto frontier of the above multi-objective decision problem under the hypothesis that the citizen solves it.

A community

People with very similar characteristics may have completely different subjective appreciations

Cluster the population having similar welfare distribution
(Pareto frontier)

Conclusions

- Reformulate the problem of welfare measurement.
- Accept diversity and subjectivity.
- Handle the subjective appreciation of the commons.
- Accept the fact that we cannot satisfy everybody.
- Realise that policies induce at the same time inclusion and exclusion.