Man does not live by GDP alone. A new report urges statisticians to capture what people do live by

HOW well off are Americans? Frenchmen? Indians? Ghanaians? An economist’s simplest answer is the gross domestic product, or GDP, per person of each country. To help you compare the figures, he will convert them into dollars, either at market exchange rates or (better) at purchasing-power-parity rates, which allow for the cheapness of, say, haircuts and taxi rides in poorer parts of the world.

To be sure, this will give you a fair guide to material standards of living: the Americans and the French, on average, are much richer than Indians and Ghanaians. But you may suspect, and the economist should know, that this is not the whole truth. America’s GDP per head is higher than France’s, but the French spend less time at work, so are they really worse off? An Indian may be desperately poor and yet say he is happy; an American may be well fed yet fed up. GDP was designed to measure only the value of goods and services produced in a country, and it does not even do that precisely. How well off people feel also depends on things GDP does not capture, such as their health or whether they have a job. Environmentalists have long complained that GDP treats the despoliation of the planet as a plus (via the resulting economic output) rather than a minus (forests destroyed).

In recent years economists have therefore been looking at other measures of well-being—even "happiness", a notion that it once seemed absurd to quantify. Among those convinced that official statisticians should join in is Nicolas Sarkozy, the French president. On September 14th a commission he appointed last year, comprising 25 prominent social scientists, five with Nobel prizes in economics, presented its findings*. Joseph Stiglitz, the group’s chairman and one of the laureates, said the 292-page report was a call to abandon “GDP fetishism”. France’s national statistics agency, Mr Sarkozy declared, should broaden its purview.
The commission divided its work into three parts. The first deals with familiar criticisms of GDP as a measure of well-being. It takes no account of the depreciation of capital goods, and so overstates the value of production. Moreover, the value of production is based on market prices, but not everything has a price. The list of such things includes more than the environment. The worth of services not supplied through markets, such as state health care or education, owner-occupied housing or unpaid child care by parents, is “imputed”—estimated, using often rickety assumptions—or left out, even though private health care and schooling, renting and child-minding are directly measured.

The report also argues that official statisticians should concentrate on households' incomes, consumption and wealth rather than total production. All these adjustments make a difference. In 2005, the commission found, France's real GDP per person was 73% of America’s. But once government services, household production and leisure are added in, the gap narrows: French households had 87% of the adjusted income of their American counterparts. No wonder Mr Sarkozy is so keen.

Sizing up the good life

Next the commission turns to measures of the “quality of life”. These attempt to capture well-being beyond a mere command of economic resources. One approach quantifies people’s subjective well-being—divided into an overall judgment about their lives (a “ladder of life” score) and moment-by-moment flows of positive and negative feelings. For many years researchers had been spurred on by an apparent paradox: that rising incomes did not make people happier in the long run. Recent studies suggest, though, that countries with higher GDP per person do tend to have higher ladder-of-life scores. Exactly what, beyond income, affects subjective well-being—from health, marital status and age to perceptions of corruption—is much pored over. The unemployed report lower scores, even allowing for their lower incomes. Joblessness hits more than your wallet.

Third, the report examines the well-being of future generations. People alive today will pass on a stock of exhaustible and other natural resources as well as machines, buildings and social institutions. Their children's human capital (skills and so forth) will depend on investment in education and research today. Economic activity is sustainable if future generations can expect to be at least as well off as today's. Finding a single measure that captures all this, the report concludes, seems too ambitious. That sounds right. For one thing, statisticians would have to make assumptions about the relative value of, say, the environment and new buildings—not just today, but many years from now. It is probably wiser to look at a wide range of figures.

Some members of the commission believe that the financial crisis and the recession have made a broadening of official statistics more urgent. They think there might have been less euphoria had financial markets and policymakers been less fixated on GDP. That seems far-fetched. Stockmarket indices, soaring house prices and low inflation surely did more to feed bankers’ and borrowers’ exaggerated sense of well-being.

Broadening official statistics is a good idea in its own right. Some countries have already started—notably, tiny Bhutan. There are pitfalls, though. The report justifies wider measures of well-being partly by noting that the public must have trust in official statistics. Quite so; which makes it all the more important that the statisticians are independent of government. The thought of grinning politicians telling people how happy they are is truly Orwellian. Another risk is that a proliferation of measures could be a gift to interest groups, letting them pick numbers that amplify their misery in order to demand a bigger share of the national pie. But these are early days. Meanwhile, get measuring.