

# Inclusive Sustainable Development?\*8

## Comparing Trends in Brazil, US and China

### *Prosperity*

Growth in mean income and consumption (**not only GDP/National Accounts but also look to Household Surveys data**).

1

### *Sustainability*

Ability to maintain the standards of living achieved. Stocks of human, environmental, physical, cultural and social assets.

3

### *Equity*

Looking at the **distribution among individuals and social groups** of income flows, stocks of assets and rights.

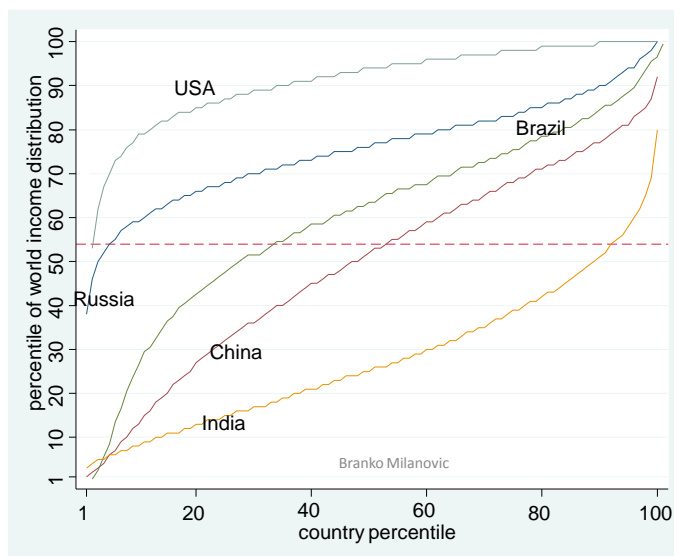
2

### *Sensibility*

The last dimension is **subjective**, based on **people's perception** about the **country**, the **public services** and **life quality**.

4

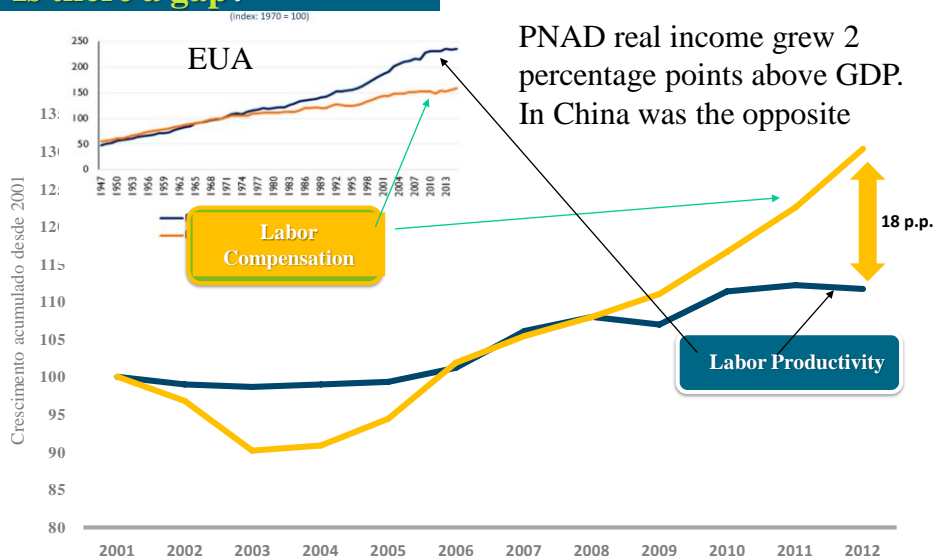
Different countries and income classes in global income distribution in 2008



From calcu08.dta

## Income vs Productivity Is there a gap?

### Labor Productivity and Labor Compensation

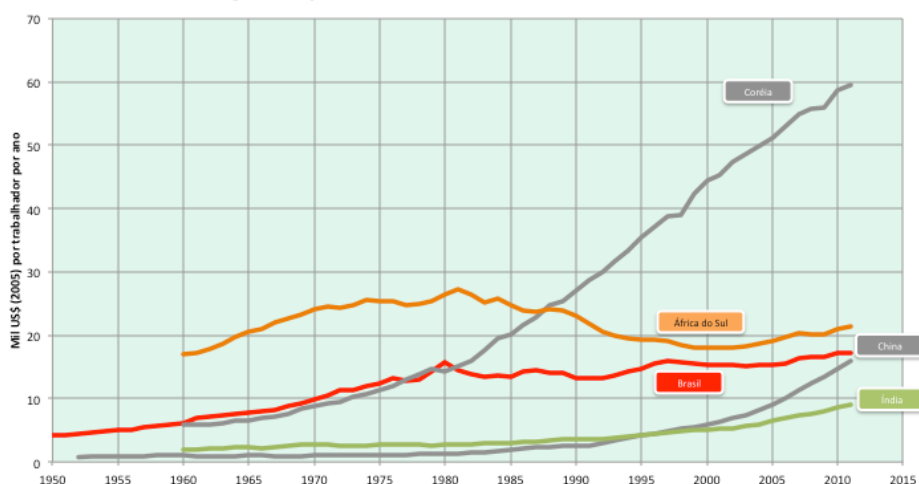


Nota: Renda deflacionada com INPC; PIB com deflator implícito do PIB.

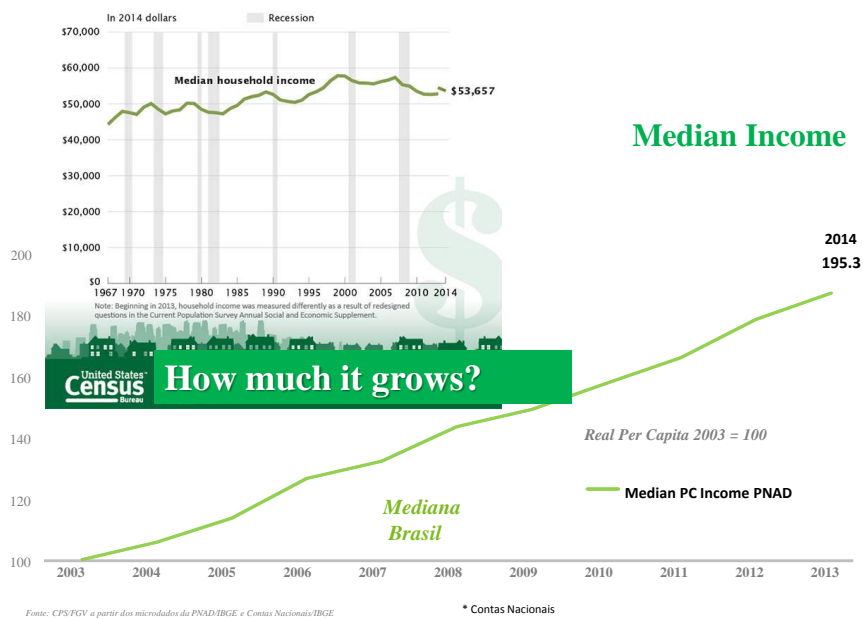
Fonte: Renda, Pesquisa Nacional por Amostra de Domicílios (PNAD/IBGE); PIB, Sistema de Contas Nacionais (SCN/IBGE).

## Brazil has been falling behind in terms of Productivity

### Evolução da produtividade média do trabalho: 1950-

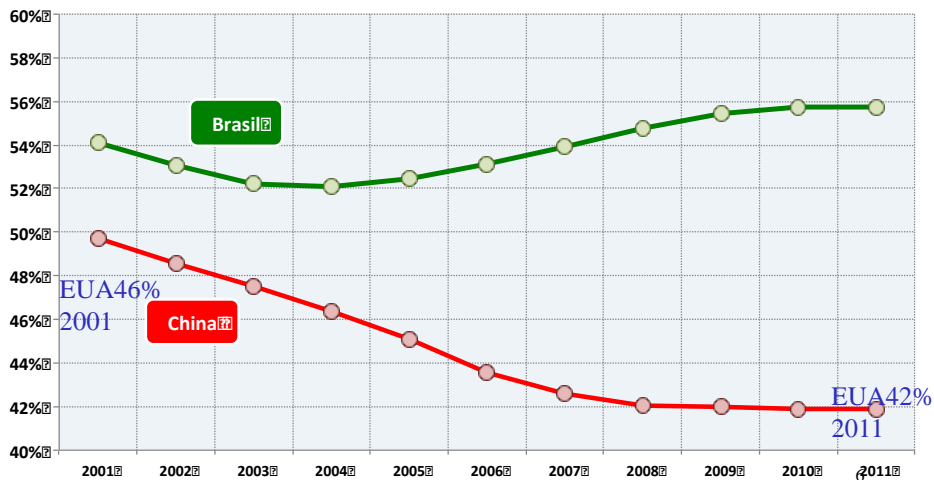


Fonte: SAE/PR com base na Penn Tables.  
Produtividade média igual a PIB/trabalhador (PIB real a preços constantes).



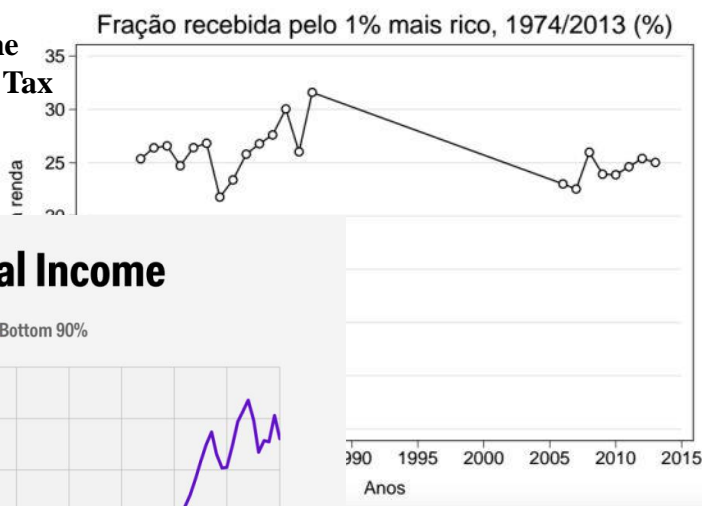
## 2. Brazil vs China: Labor Shares in Income National Accounts

Participação da Renda do Trabalho na Renda Nacional

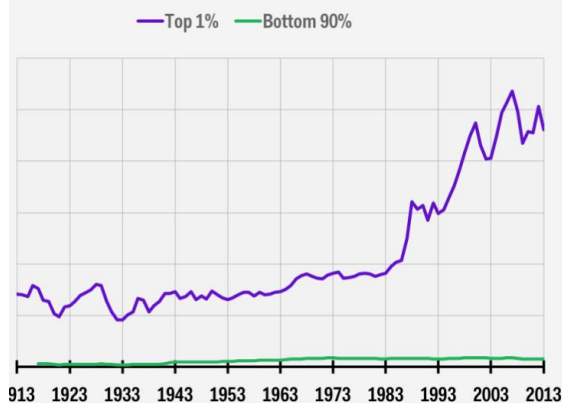


Fonte: Penn World Table.

## Top 1% of Income Personal Income Tax (PIT)

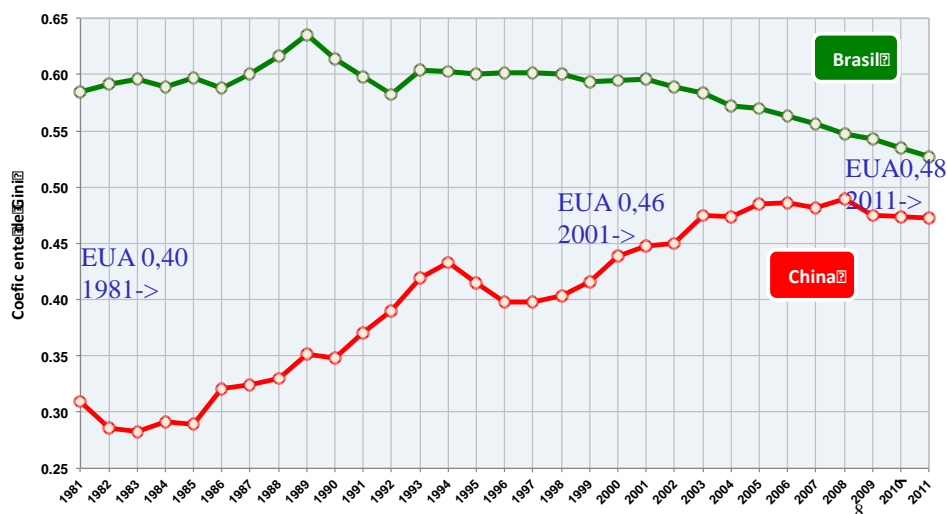


## Average Real Income



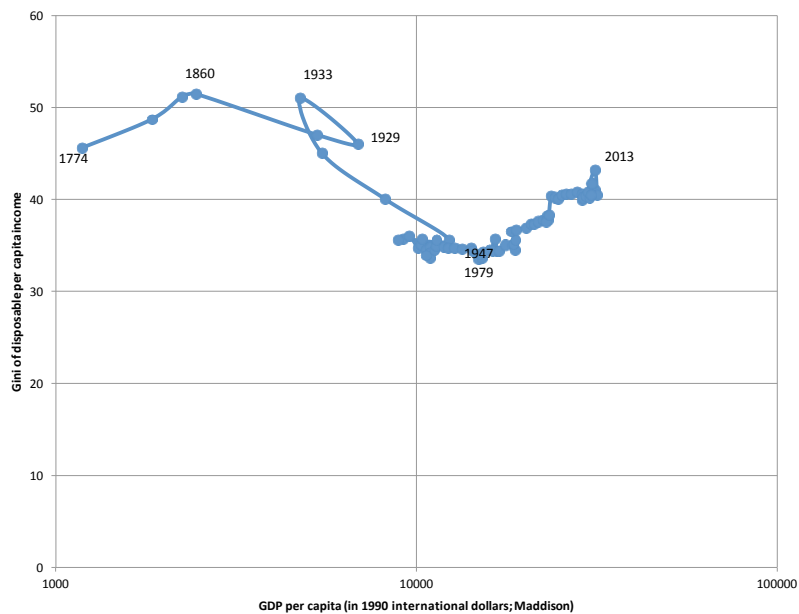
## Brazil vs China vs US: Inequality per capita income

Desigualdade: Brasil e China em direções opostas

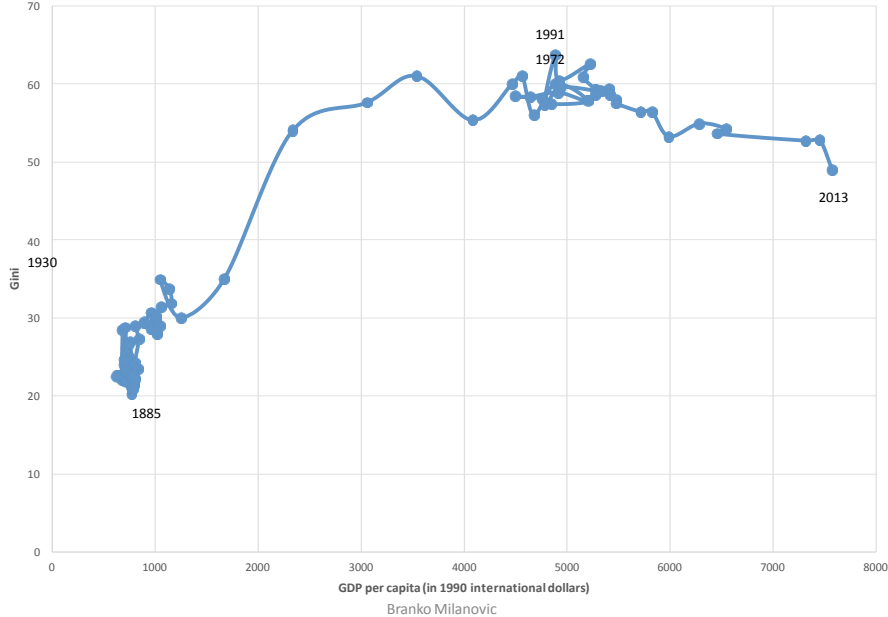


Fonte: 1976-2009 Instituto de Pesquisa Econômica Aplicada (IPEA), médias para anos de 1980, 1991, 2000, 2011 PNAD de 2011  
China 1981-2001 Ravallion and Chen (2007), 2002-2011 (Sicular, The Challenge of High Inequality in China, The World Bank, Ago/2013)

Kuznets relationship for the United States, 1774-2013



The Kuznets relationship for Brazil, 1839-2013



## Current Happiness Overall Life Satisfaction

2006 to 2013 (scale 0 to 10)

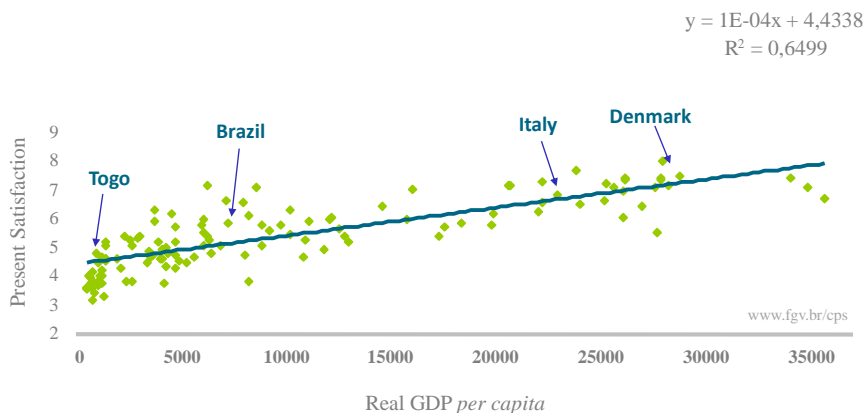
	2013		2012		2011		2010		2009		2008		2007		2006		2010-13 / 2006-09	Total Mean
Portugal	5,2	68	4,99	82	5,22	75	4,87	80	5,32	59	5,72	37			5,41	51	-7,54%	5,25
Italy	6,0	39	5,84	49	6,06	41	6,35	31	6,33	25	6,78	21	6,57	18	6,85	19	-8,59%	6,35
Ireland	6,8	20	6,96	15	7,01	17	7,26	12	7,05	9	7,57	4			7,14	13	-3,39%	7,11
Greece	4,7	94	5,10	75	5,37	68	5,84	47	6,04	33			6,65	16	6,01	36	-15,74%	5,67
Spain	6,2	35	6,29	31	6,52	33	6,19	36	6,20	29	7,29	8	6,99	11	7,15	12	-8,79%	6,60
US	7,4		7,02		7,11		7,16		7,16		7,28		7,51		7,18			7,21
<b>Brasil</b>	<b>7,1</b>	<b>14</b>	<b>6,93</b>	<b>18</b>	<b>7,04</b>	<b>16</b>	<b>6,84</b>	<b>20</b>	<b>7,00</b>	<b>11</b>	<b>6,69</b>	<b>23</b>	<b>6,32</b>	<b>24</b>	<b>6,64</b>	<b>21</b>	<b>4,73%</b>	<b>6,82</b>
Russia	5,5	61	5,62	56	5,39	66	5,38	64	5,16	69	5,62	40	5,22	51	4,96	73	4,44%	5,36
India	4,6	100	4,60	99	4,63	112	4,99	77	4,52	90	5,15	61	5,03	59	5,35	55	-6,13%	4,86
China	5,2	68	5,09	76	5,04	79	4,65	92	4,45	93	4,85	76	4,86	66	4,56	95	6,73%	4,84
South Africa			5,13	73	4,93	90	4,65	93	5,22	64	5,35	53	5,20	54	5,08	70	-11,70%	4,91
Chile	6,7	21	6,60	24	6,53	32	6,64	26	6,49	20	5,79	35	5,70	34	6,06	34	10,11%	6,31
Colombia	6,6	25	6,37	28	6,46	35	6,41	29	6,27	28	6,17	30	6,14	27	6,02	35	5,04%	6,31
Mexico	7,4	5	7,32	7	6,91	20	6,80	22	6,96	12	6,83	19	6,53	19	6,58	23	5,69%	6,92
Peru	5,8	50	5,82	50	5,89	44	5,61	54	5,52	47	5,13	63	5,21	53	4,81	77	11,85%	5,47

Source: Gallup World Poll

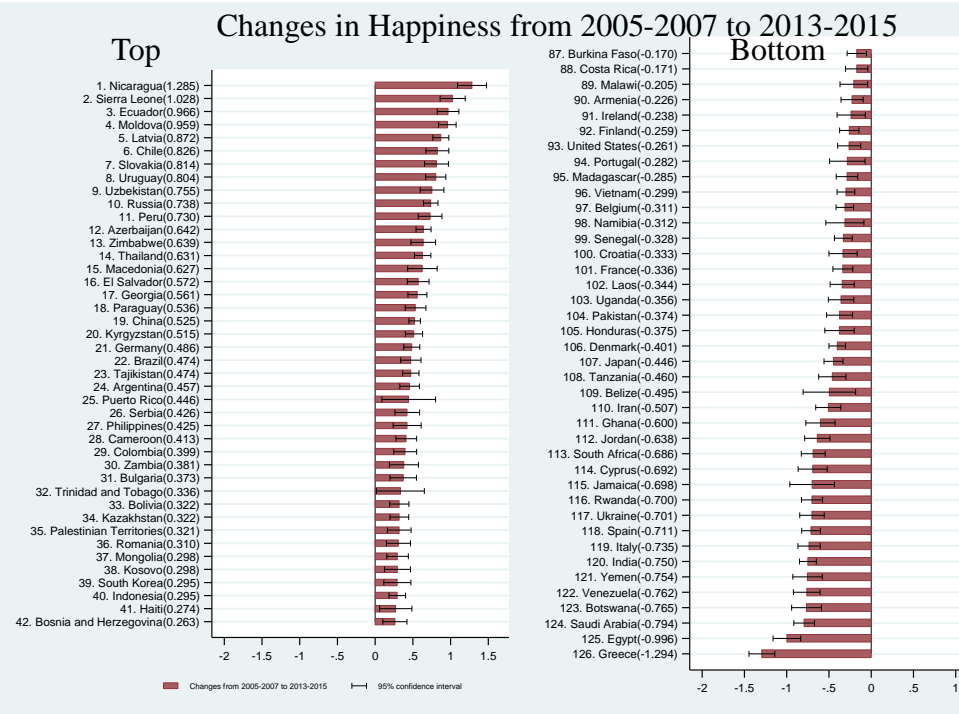
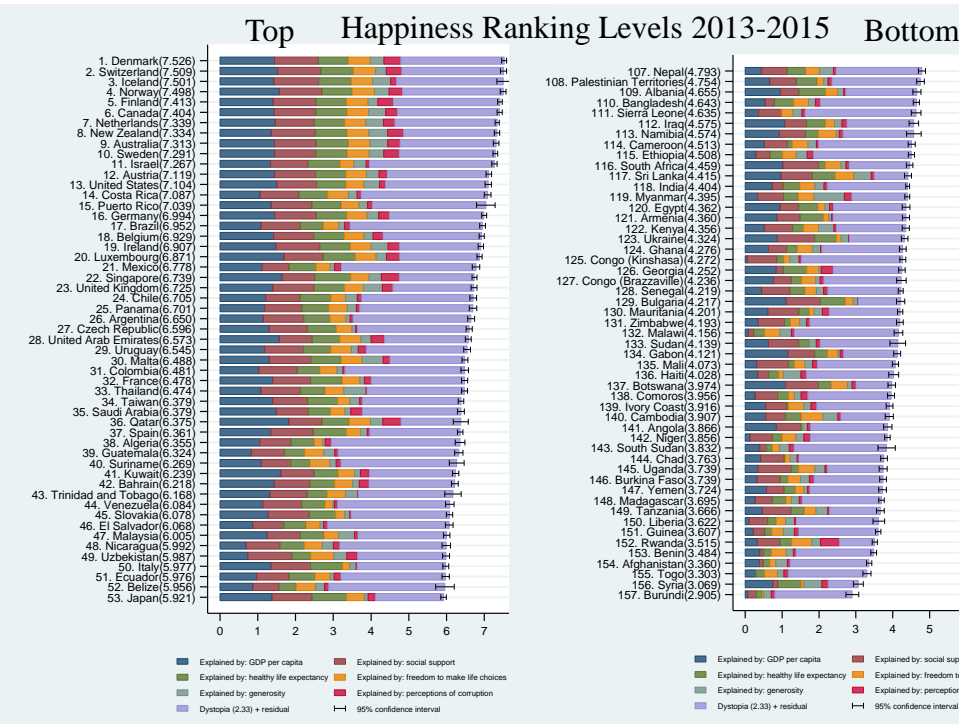
## Does Money bring Happiness?

Life Satisfaction X  
GDP Per Capita PPP

Present Satisfaction x Real GDP per capita



Source: Gallup World Poll – IADB project



**OVERVIEW** (My Take on the Expert Commission directions)

A good guide can be found in the 2010 book *Mis-Measuring Our Lives* by two Nobel prize winners in Economics, Joseph Stiglitz and Amartya Sen. The book discusses the conclusions from an international committee of experts on how to measure social progress, and they can be summarized in four recommendations:

**Growth in household surveys** – The work calls attention to the need to improve the current economic development measures centered on the GDP. In particular, also to emphasize the growth prospects of the average income and expenditure of families interviewed in household surveys, to measure the improvement in mean living standards.

**Equality** – Measurements of income, consumption and wealth must be accompanied by indicators that reflect their distribution among people and social groups. This means we must keep an eye on the vertical and horizontal inequality of income flows and asset stocks.

- **Sustainability** – To consider asset stocks such as, for example, environmental attributes to incorporate the sustainability of performance indicators as time goes by, in other words whether current welfare levels can continue for future generations. The different assets inventories collected by the surveys and, especially, education and housing to analyze the stability of labor earnings and living standards.
- **Perceptions** – Lastly, the conjugation of objective and subjective well-being measurements by using questions raised in opinion polls relating to the assessment of their lives is designed to obtain a more realistic view of the quality of life in different countries. In other words, it is not enough to objectively improve our lives, but it is also necessary for people to recognize this development. Here, we use as a benchmark of subjective indicators, measurements of happiness or life satisfaction that has become more prominent in the recent economic literature.

# Expert Commission – Stiglitz, Sen, Fitoussi ((Mis)Measuring Our Lives)

Also Arrow, Atkinson, Deaton, Heckman, Kaneman, Piketty...

## Recommendations#

- 1: When evaluating material well-being, look at income and consumption rather than production
- 2: Emphasise the household perspective
- 3: Consider income and consumption jointly with wealth
- 4: Give more prominence to the distribution of income, consumption and wealth
- 5: Broaden income measures to non-market activities

#Focus on Pages 11-18 Executive Summary

## Expert Commission (cont)

- 6: Quality of life depends on people's objective conditions and capabilities (health, education, etc) measures of social connections, political voice, and insecurity
- 7: Quality-of-life indicators should assess inequalities
- 8: Surveys should be designed to assess the links between various quality-of-life domains
- 9: Statistical offices should provide information on quality-of-life dimensions
- 10: Measures of both objective and subjective well-being provide key information about people's quality of life. Statistical offices should incorporate questions to capture people's life evaluations, hedonic experiences and priorities in their own survey.
- 11 & 12 – Environmental Considerations

## **Global Social Indicators**

- **HDI** (Human Development Index )
- **IHDI** (Inequality Adjusted HDI)
- **PHDI** (Perceived HDI - Subjective)
- **MPI** (Multidimensional Poverty Index )
- **MDGs** (8 Millenium Development Goals)
- **SDGs** (17 Sustainable Development Goals)
  - International Poverty Lines (1,9 U\$S a day PPP), Shared Prosperity (Bottom 40%), My World (Subjective Priorities)
- **Happiness and Well-Being** (Gallup World Poll)
  - Beyond GDP (OECD)
- **Expert Commission** ((Mis)Measuring Our Lives)