Intellectual Capital for Communities in the Knowledge Economy Nations, Regions, Cities and Emerging Communities

The Stiglitz Sen Fitoussi commission report

- The main conclusions
  - In need for a better/wider/more extensive national accounts system
  - In need to go beyong national accounts system

The aim and background of the CMESP

- Think again to what and how we measure societies

- We'd like something which
    - Is neutral toward various organizations of societies, neutral toward institutions and social structures
    - Deals with curent questions like inequality, sustainability
    - Do not reduce humain societies to economics
    - Be better accepted by people as a tool to understand the world they live in
    - Be better understood by advanced users (limits and concepts)
    - So it needs to be simple and direct, rich enough to embrass reality, sufficiently correct to be accepted by a large base of users

- A long history of thought
    - Kuznets/Meade&Stone
    - Samuelson/Nordhaus/Tobin/Weitzman
    - Sen
    - Stern

The theorical background

- Would pure market economy prevail, then SNA will measure of well being
  - Perfect markets, complete markets, full information, perfect property rights (no externalities)
  - Well being being best measured by C+dW
  - Prices are measured by representative basket value evolution

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But there are no perfect economies

- Inperfect competition, externalities, asymetric information
- Complex markets (non market production)
- Incomplete markets that can't be completed
  - Radical uncertainty

That brings 2 seperate answers

- Extend SNA in order to capture more
  - Non market activities (home production)
  - Non market assets (security, environmental assets)
- Abandon SNA as a measure of well being
  - Quality of life statistics,the more the best
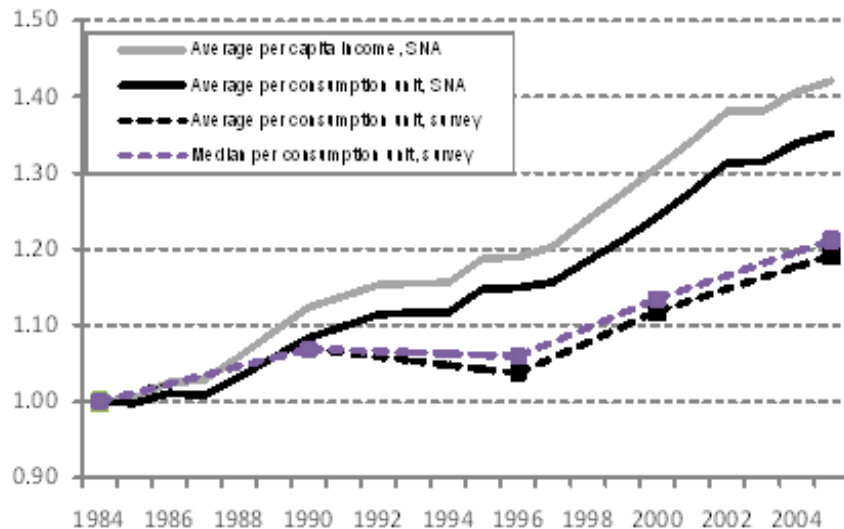 - No agregation, equivalent income method

Example 1 : imputation&inequality in income

- Visible income (cash or better defined by tax system)
- Invisible income
  - Rents for self occupancy owner
  - Collective consumption (imputable to some one or not)
  - Home production, non wage activity
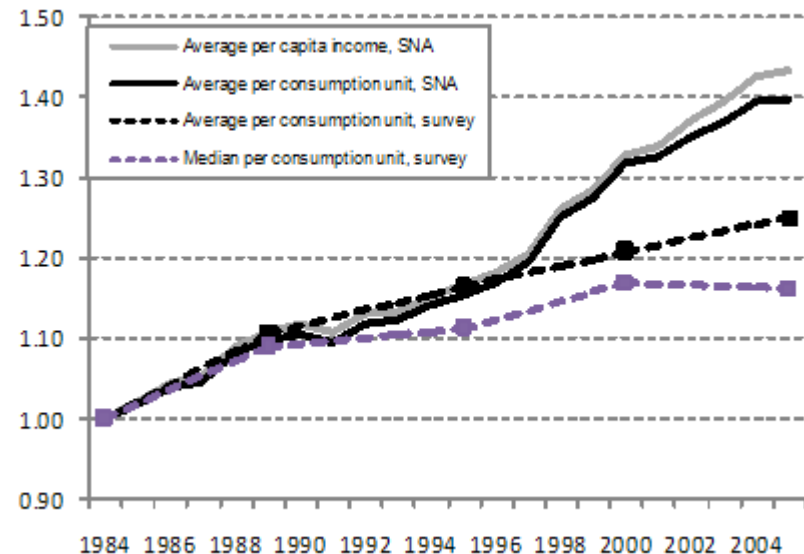 - Capital income, capital gains

Ex. 1 (cont.): 2 sources

- Difference between survey aggregation and SNA income (income/production approach)
- Rising over time, critical to estimate inequality


France

Legend:
- Average per capita income, SNA
- Average per consumption unit, SNA
- Average per consumption unit, survey
- Median per consumption unit, survey

United States

Legend:
- Average per capita income, SNA
- Average per consumption unit, SNA
- Average per consumption unit, survey
- Median per consumption unit, survey

Ex. 1 (cont.): capital income

– Recent advances in accounting for very high income/capital income
- Saez Piketty
- INSEE

– Still a lot of weaknesses

Ex. 1 (end) : capital gain

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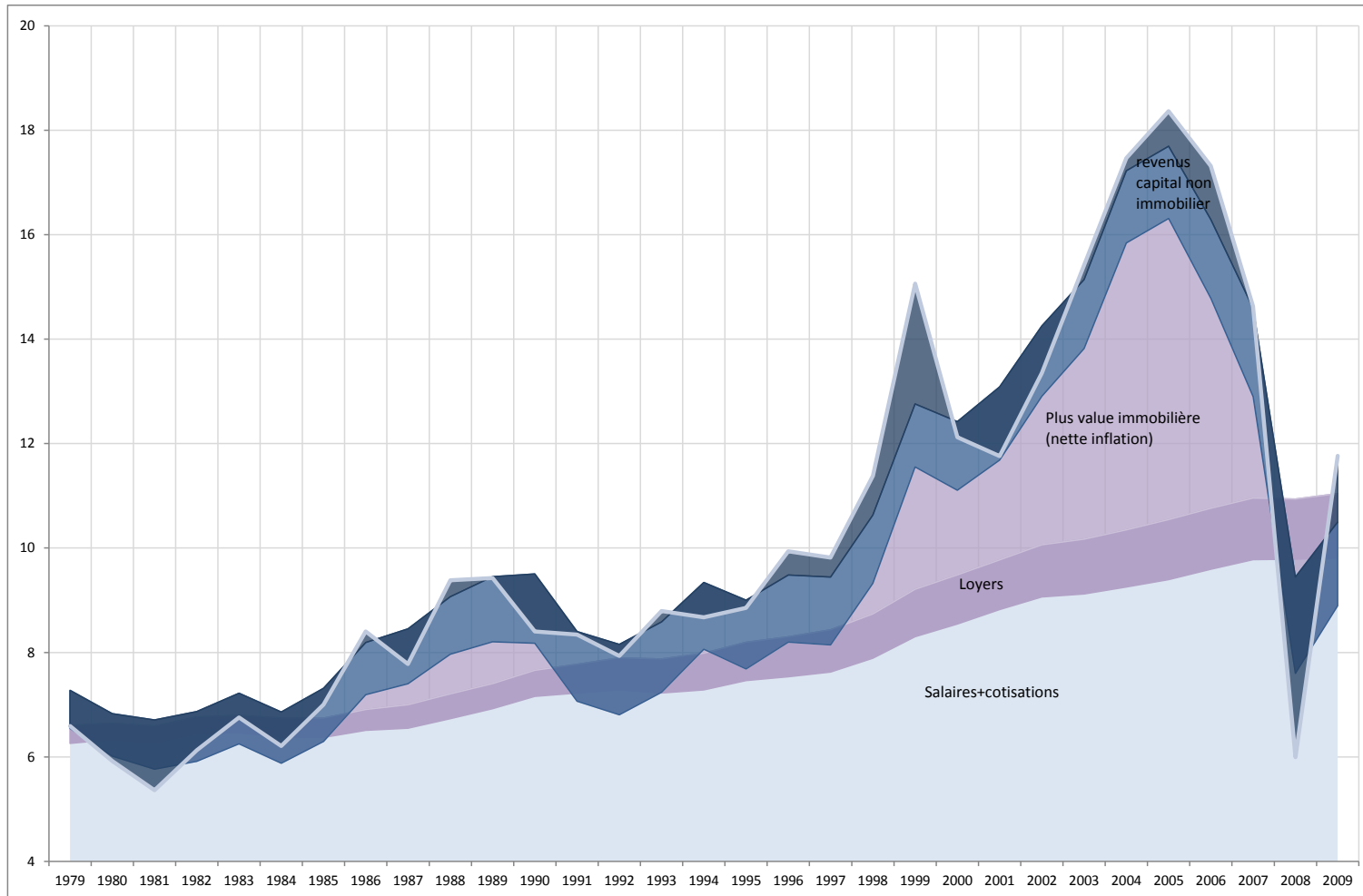
Ex. 2: inequalities

- To measure inequalities you must measure income
  - Visible and invisible, including capital gain and non marketable non produced capital gains or losses

- But measure should be dynamic
  - Over the life cycle
  - A snap shot is misleading

Ex. 2 (cont.): inequalities

- ## Unequal and unjust is not the same
    - ### Judgment on inequality
    - ### Correlation between income, position and another characteristic
        - Gender wage inequality is not about wage inequality
        - The same could be said about a lot of things
    - ### Market failure may induced non efficient inequality, even if they look like « market efficient inequality »

Ex 2. (end): inequalities

Real Median Household Income: 1967 to 2005
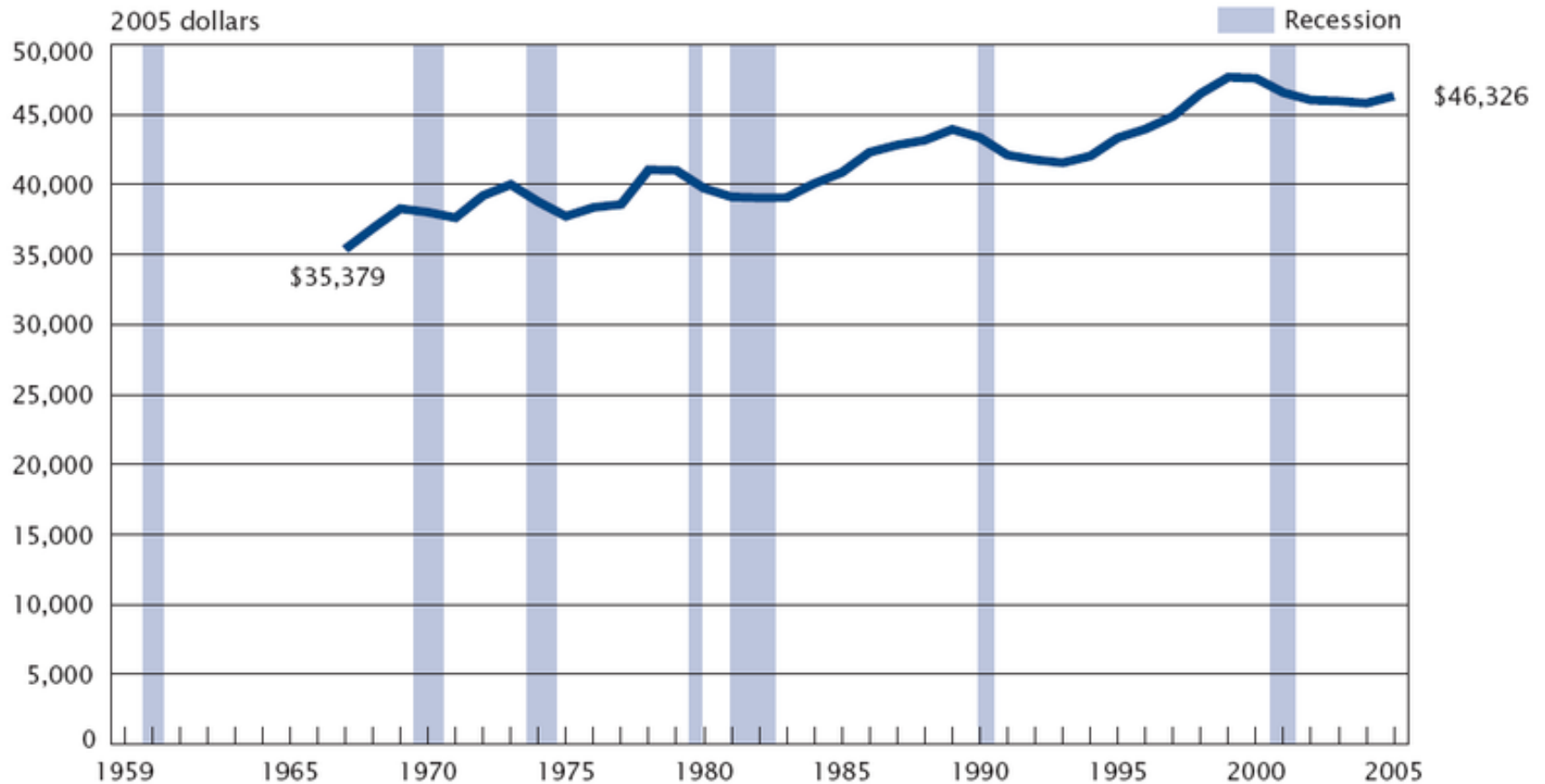
Conclusion

- A lot of work has do be done
  - Extensive use of micro information
  - In need for a theorical&normative approach
- Measure of economic and social progress could not be let to statisticians but should be undertake by economists or sociologists