

GDP, WELLBEING, AND HEALTH: THOUGHTS ON THE 2017 ROUND OF THE INTERNATIONAL COMPARISON PROGRAM

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Highpoints from the 2017 round

- That we thought were of wider interest than just the audience who would read the report
- From which we shamelessly quoted
- Opinion piece in the *Financial Times*
 - ▣ Focusing on the richest countries and their characteristics
 - ▣ Who and why
 - ▣ The effects of globalization and footloose "capital"
- Longer article forthcoming in *Review of Income and Wealth*
 - ▣ Thank you Prasada!

We still need GDP!

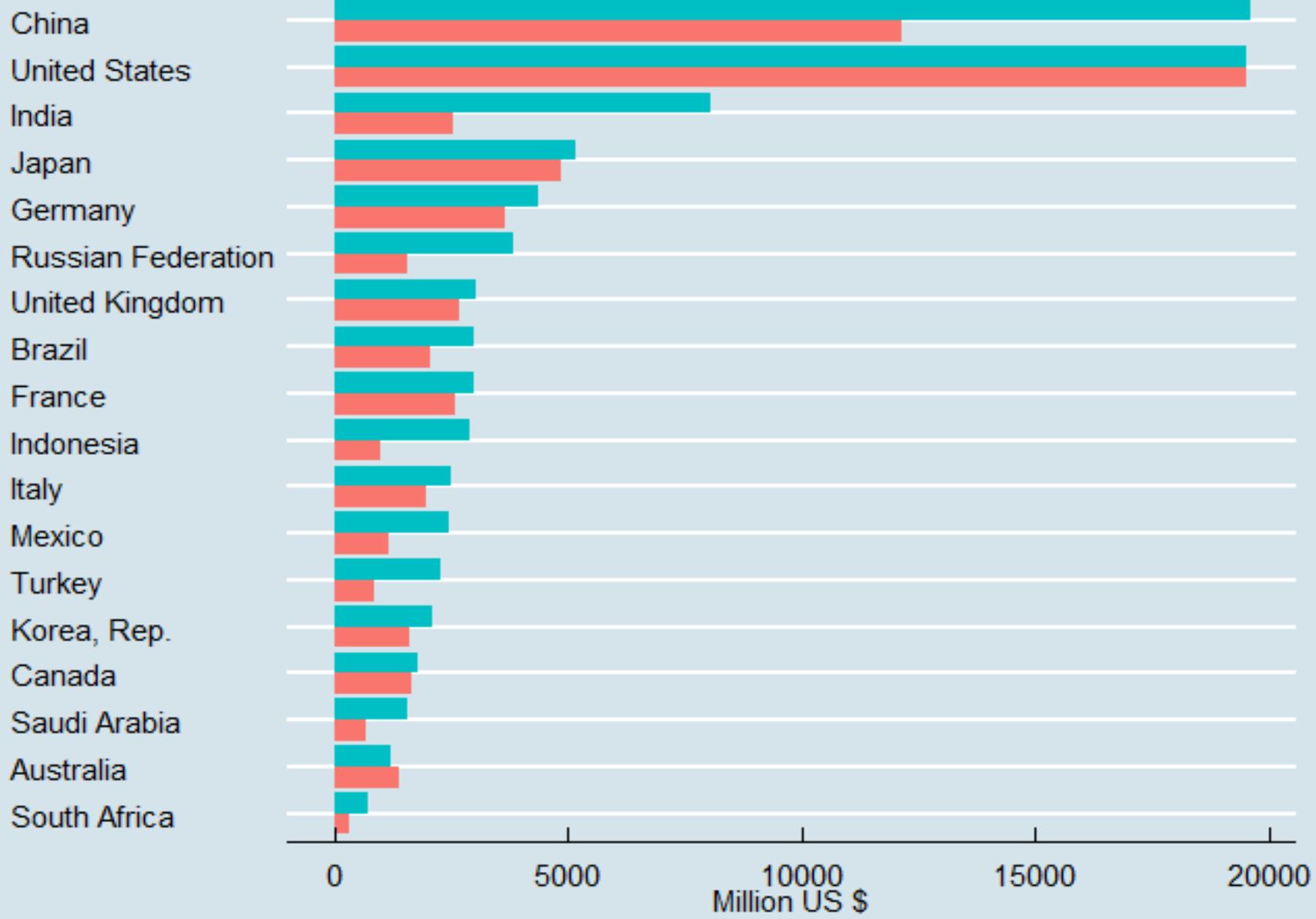
- Even though we acutely understand its limitations
- Current focus on health
 - ▣ But demands for GDP data high during the pandemic
- More comprehensive measures depend on and modify GDP

- No apologies for providing it on an internationally comparable basis

Most important message from 2017

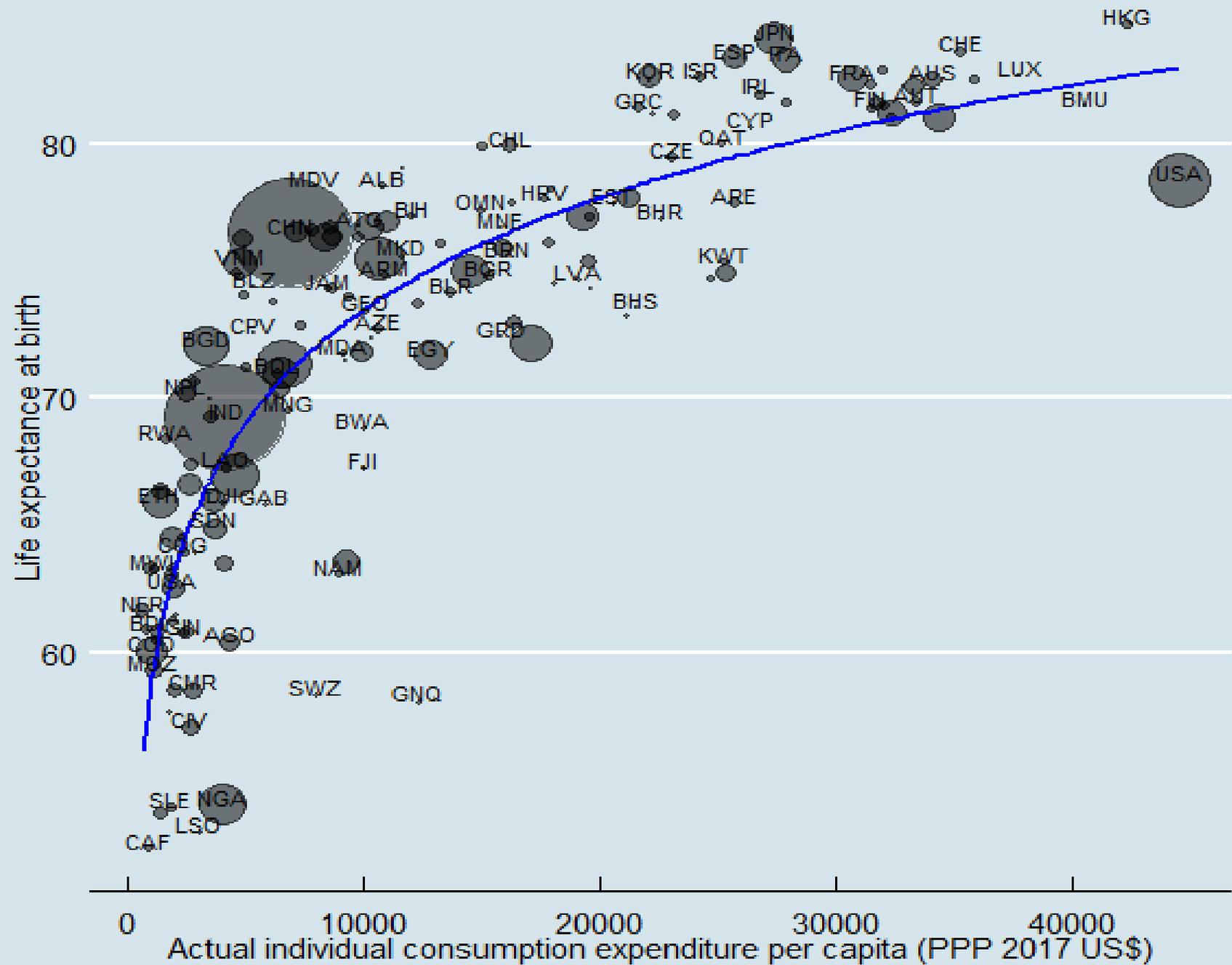
- There is no message! Or at least no startling news
- The numbers are not very different from what would have been expected by extrapolating from 2011 round
 - ▣ Though there are some differences
 - ▣ But no systematic pattern, e.g., by region
- We hope, and expect, that this consistency will hold into the future
 - ▣ It was a very deliberate aim of the 2017 round
 - ▣ In future, ICP will be more of a rolling basis
 - ▣ Like EUROSTAT/OECD current procedure
- Consistency is important for ICP to retain its relevance
- Main country rankings similar to 2011

At market exchange rates At PPPs



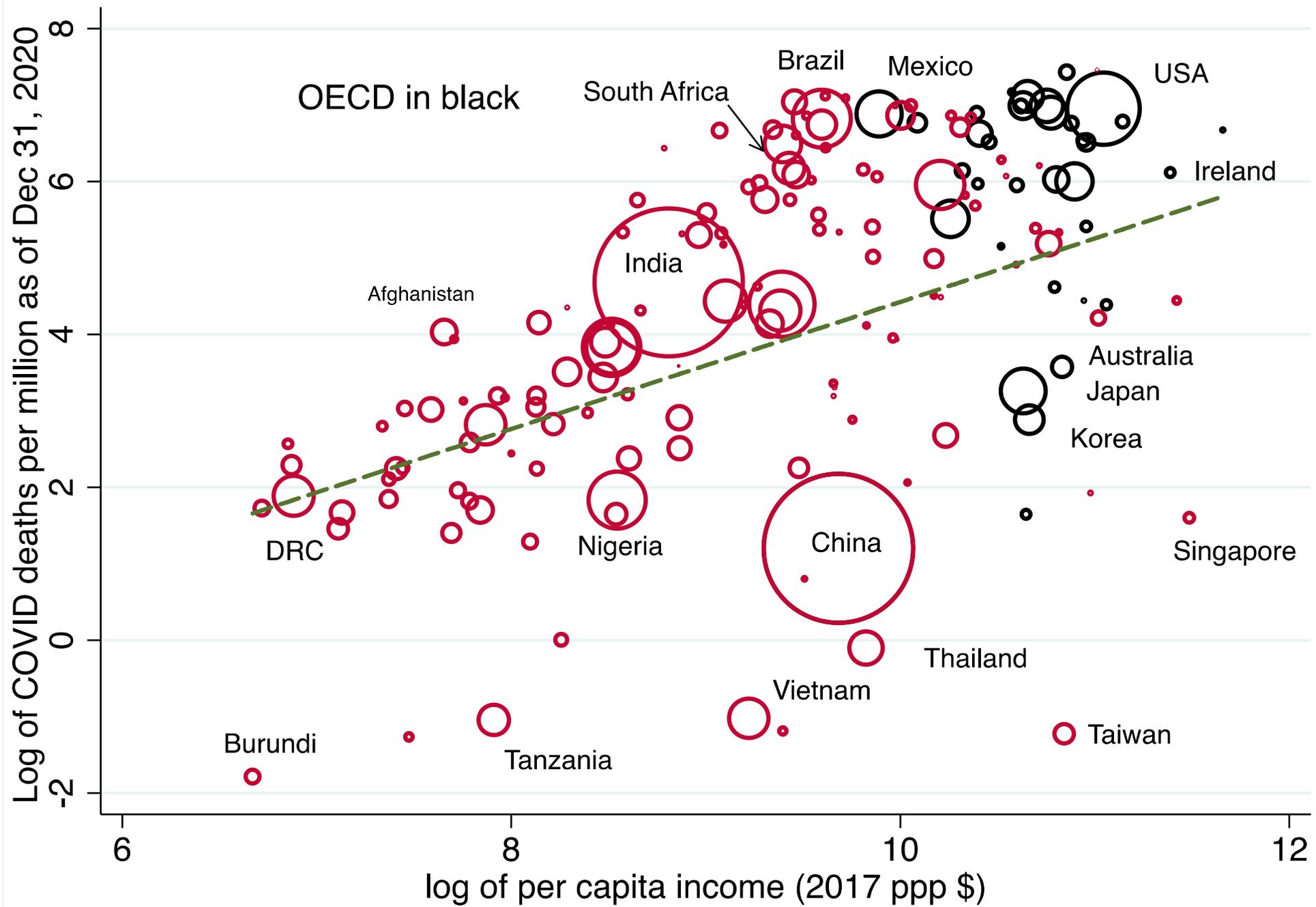
Health

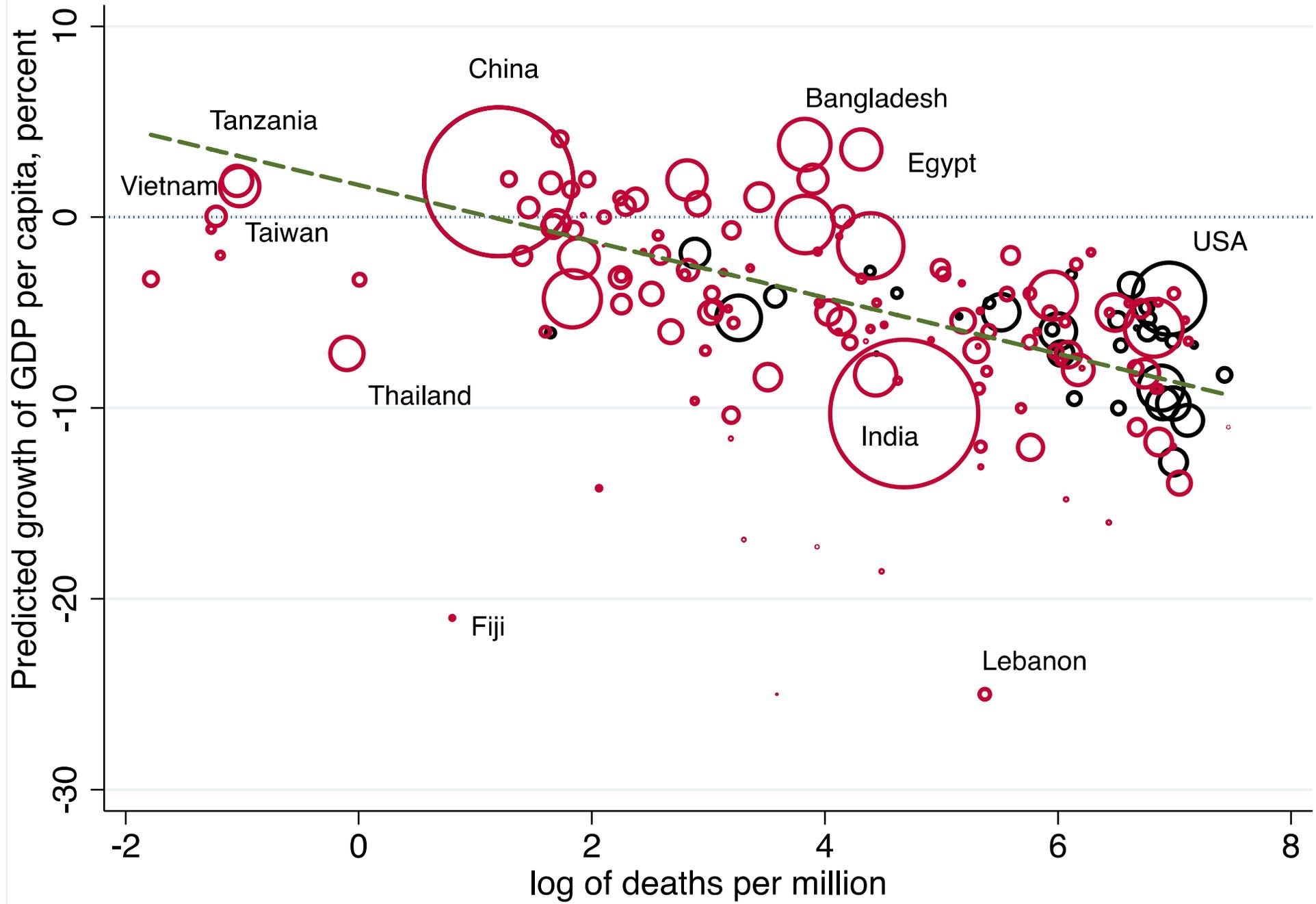
- Health is not included, though health expenditures are included
- In the past, there has always been a close relationship between GDP per capita and health
 - ▣ “Wealthier is healthier”
 - ▣ “Growth is the best medicine”
 - ▣ “Health promotes growth”
- Formalized in the Preston Curve, first drawn by Preston in 1975
 - ▣ There are lots of exceptions
 - ▣ Like the US, or China



COVID-19 pandemic

- Doesn't look like this
- Deaths have been higher per capita in richer countries
 - ▣ Graph is for year 2020, next slide
 - ▣ Still true as of May 2021
- And the declines in GDP have been larger in richer countries, next slide
 - ▣ May or may not still be true or continue to be true
 - ▣ Most forecasts argue not
- Note that this DOES NOT apply to poverty!

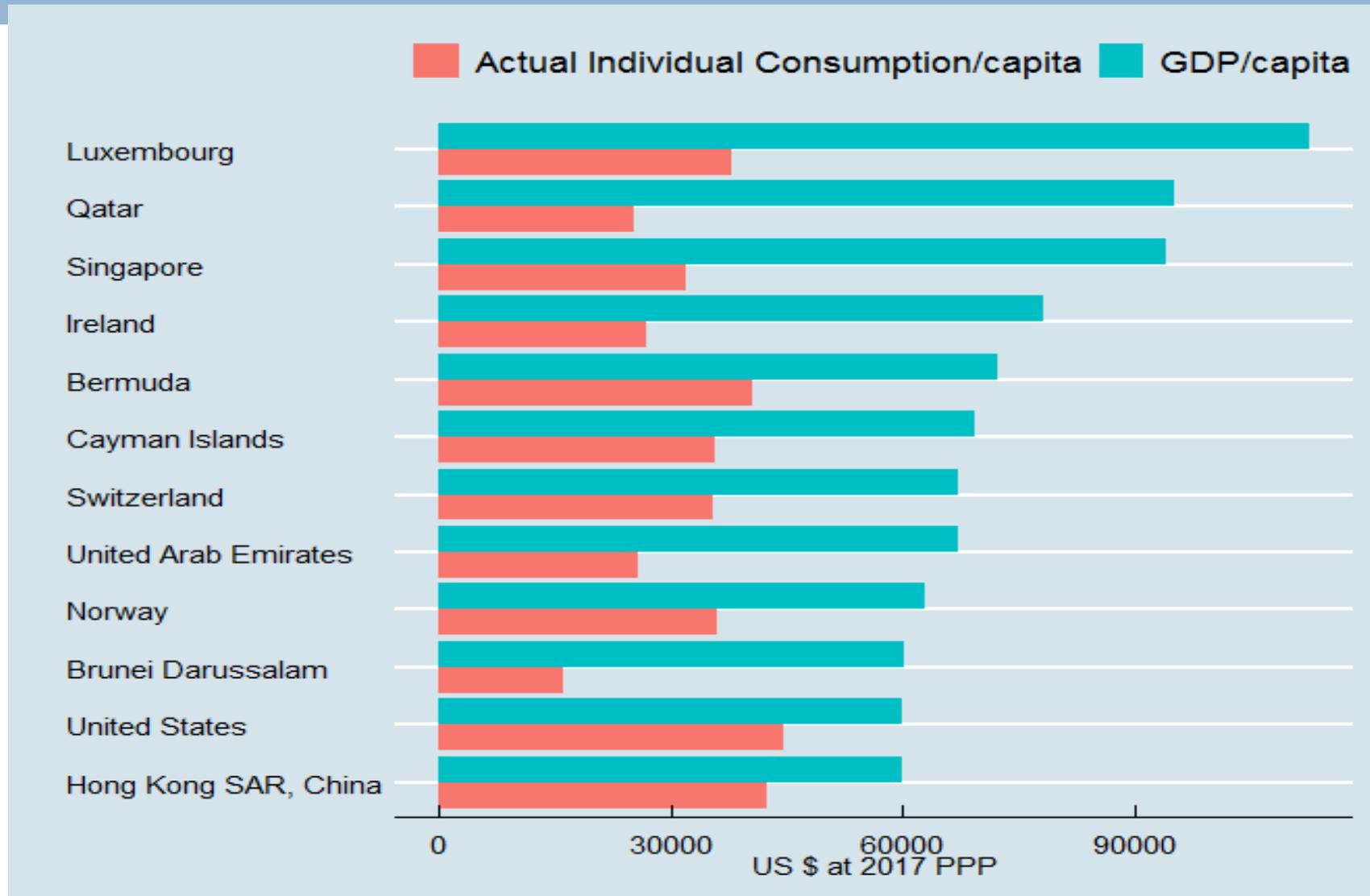




ICP: our most important point

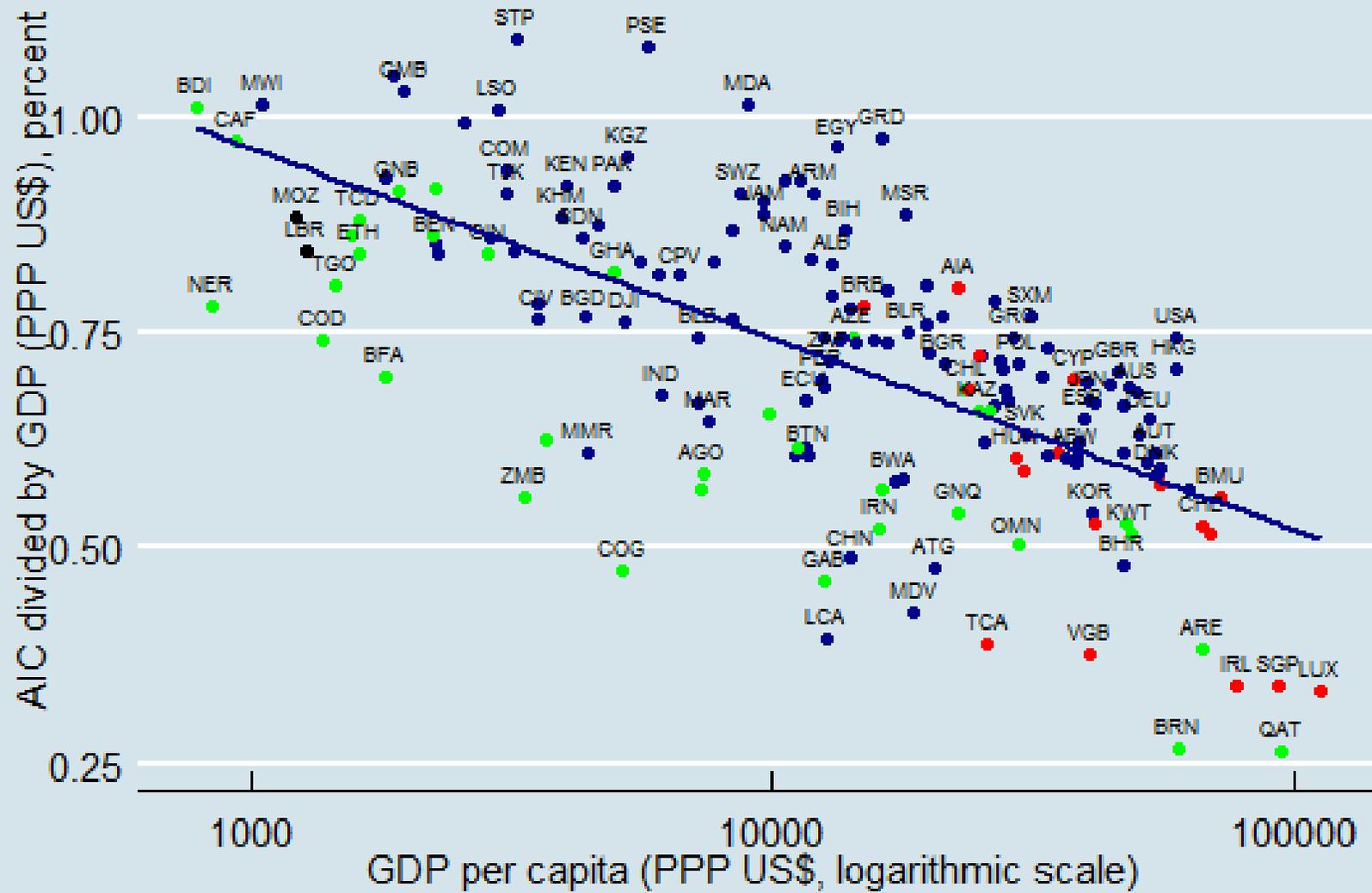
- Even GDP can be seriously misleading on its own terms
 - ▣ Quite apart from distributional, green, health, or happiness critiques
- Look at top 12 countries, ranked by GDP per capita
 - ▣ Next slide

Richest 12 countries by GDP per capita



What is going on here?

- It is not new, was similar in 2011 ICP
 - ▣ Macao is richest of them all, not included in 2011 ICP
- Consumption per capita (AIC) is much lower than GDP per capita
 - ▣ So GDP is a bad short-cut indicator of AIC
 - ▣ Even within the GDP family of material measures
- Most of these are either **investment hubs**
 - ▣ Stock of FDI is ≥ 1.5 GDP
 - ▣ GDP is not the same as GNI
- Or **resource-based countries**
 - ▣ Resource rents > -0.10 GDP



• Resource-rich • Investment hub • Others •

Infamous Irish case

- Irish real GDP increased by 26 percent in 2015
 - ▣ PDI grew by 4.6 percent
 - ▣ GNI grew by 13.6 percent
- Small economies can get rich by cutting corporate tax rates and other taxes
 - ▣ They attract more capital than they lose in revenue
 - ▣ Works for them
 - ▣ Would not work for larger economies who would lose more than they gain
- Works for Ireland, not too small
 - ▣ These kinds of shifts are a serious problem for tax authorities in large countries

On lights from space

- Literature using satellite data to “check” national accounts
- Clearly, these numbers produce useful supplementary information
 - ▣ Especially in situations where data are weak or scarce
- But, they cannot do what is often claimed
 - ▣ Replace, or cross-check, national accounts data
 - ▣ Do lights reflect GDP, gross output, consumption, GNI?
 - Not clear, and is not discussed

Finally, on inequality

- Global, cross-country, inequality is much smaller with ICP than when computed at market exchange rates
 - ▣ This is true for Concepts 1, 2 and 3 inequality
 - At least when we are interested in living standards
 - ▣ No effect on within country inequality in the absence of RPPs
- Most people seem to understand this now
 - ▣ Though journalists sometimes make unwarranted comparisons