Missing Dimensions of Well-being and Respect for Individual Preferences: How Affected is Equivalent Income?

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Motivation

The diagram illustrates the relationship between income and health. The y-axis represents income, while the x-axis represents health. The graph shows two indifference curves, IA and IB, with points A and B indicating different combinations of income and health. The points A' and B' represent alternative scenarios or outcomes.
Question and Method

- What role do “missing” life dimensions play in measuring equivalent income, and thus, well-being?
- Uses a unique dataset from Ecuador to expand the set of life dimensions to include social isolation, gender-based violence, unfair treatment, political participation, and empowerment.
- Create counterfactual equivalent income distributions to determine what factors are contributing to the re-ranking.
Findings

- Need to account for a wide range of life dimensions when conducting a well-being analysis
- Significant amount of re-ranking occurred
- Inequality in outcomes and heterogeneity in preferences account for an important part of the re-ranking
Thoughts and Questions

What is the optimal policy in this setting?

- Should we give more money to individuals with low well-being, but high levels of income?
- Should the government give money to individuals with the highest marginal utility per dollar?
- Under this setting does it make more sense for the government to ask how they can improve these non-income life dimensions?