


Wellbeing Economics and Agricultural Policy

Presentation by Paul Dalziel, Agricultural Economics Society Annual Conference, University of Warwick, 15-17 April 2019.




Outline of the Presentation

1. The Shift to Wellbeing Economics
2. The Capabilities Approach to Prosperity
3. Seven Levels of Human Choice Making
4. Seven Types of Capital Investment
5. A Wellbeing Economics Policy Framework
6. AERU Research on Global Agri-food Value Chains
7. Conclusion



Section 1

The Shift to Wellbeing Economics



The Stiglitz-Sen-Fitoussi Commission




“Another key message, and unifying theme of the report, is that the time is ripe for our measurement system to shift emphasis from measuring economic production to measuring people’s well-being.”



The German National Wellbeing Framework

- In 2011, the Federal Government created an Enquete Commission on *Growth, Prosperity and Quality of Life*.
- It proposed a set of “W3 Indicators” for monitoring social wealth and wellbeing.
- Next stage began in December 2013.
- The Government launched a six-month National Dialogue on 13 April 2015.
- “Heterogeneous, not representative”.
- Independent academic analysis of the data.
- Synthesis report published in May 2017.






12 dimensions, supported by 46 indicators of wellbeing, plus 2 placeholders for indicators that the National Dialogue revealed are important but currently without available measures (Global corporate responsibility, and Quality of Care).

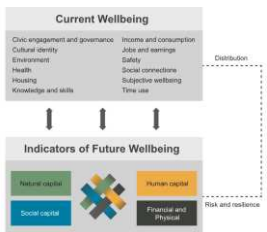


New Zealand's Living Standards Framework



Living Standards Framework
Introducing the Dashboard

December 2018



Current Wellbeing

- Civic engagement and governance
- Cultural identity
- Environment
- Health
- Housing
- Knowledge and skills
- Income and consumption
- Job and earnings
- Safety
- Social connections
- Subjective wellbeing
- Time use

Indicators of Future Wellbeing

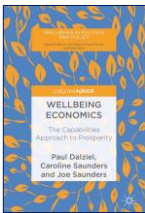
- Natural capital
- Social capital
- Human capital
- Financial and Physical

Distribution

Risk and resilience

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Wellbeing Economics: The Capabilities Approach to Prosperity



WELLBEING ECONOMICS
The Capabilities Approach to Prosperity
Paul Dalziel, Caroline Saunders and Joe Saunders

In 2016, the AERU was approached by Palgrave Macmillan to write a book for an international audience on the wellbeing economics framework that has guided our research since 2002.

It was published in September 2018, and was the fifth most downloaded book in economics and finance published by Palgrave Macmillan that year (it has now reached 18,000 chapter downloads).

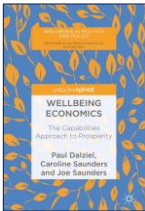
This reflects global interest in wellbeing economics.

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Section 2 The Capabilities Approach to Wellbeing

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Wellbeing Economics: The Capabilities Approach to Prosperity



WELLBEING ECONOMICS
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The subtitle reflects our interest in the lived experience of people, so that wellbeing is about the *capabilities* that people have to do things:

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Amartya Sen, *Development as Freedom*



DEVELOPMENT AS FREEDOM
WINNER OF THE NOBEL PRIZE FOR ECONOMICS
Amartya Sen

The capabilities approach to personal wellbeing was originally introduced by Amartya Sen.

Sen emphasises the agency of people creating lives that they value, and have reason to value, which he argues depends on capabilities.

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Amartya Sen, *Development as Freedom*

"The analysis of development presented in this book treats the freedoms of individuals as the basic building blocks. Attention is thus paid particularly to the expansion of the 'capabilities' of persons to lead the kinds of lives they value – and have reason to value."

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The Capability Theory of Firms



Our approach also draws on the capability theory of firms, introduced by the distinguished New Zealand economist, David Teece.

The research of David Teece builds on Ronald Coase, Oliver Williamson and Oliver Hart to argue that firms create and sustain specialist capabilities.

The Capability Theory of Firms

“The capabilities view of the firm ... looks beyond ‘factors of production’ and production functions to recognize the importance of how firms learn and orchestrate assets in ways that markets cannot replicate. This functionality enables firms to ... both create and capture value from innovation.”

Place-based Policies and Local Capabilities



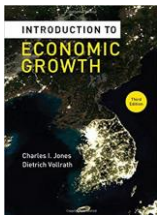
A third key influence has been modern theories of place-based regional economic development.

Authors like Fabrizio Barca, Philip McCann and Andrés Rodríguez-Pose have argued that successful place-based policies must build on local or regional capabilities.

Place-based Policies and Local Capabilities

“The place-based argument suggests that development strategies should thus focus on mechanisms which build on local capabilities and promote innovative ideas through the interaction of local and general knowledge and of endogenous and exogenous actors in the design and delivery of public policies.”

The Distinctive Capabilities of the Nation State



The Nation State has distinctive capabilities, many of which depend on its crucial role in fostering, creating, synthesising, disseminating and using knowledge.


This part of the wellbeing economics framework draws on the insights of modern endogenous growth theory for the growth of average living standards in a country.

The Distinctive Capabilities of the Nation State


“The crucial feature of the specification used here is that knowledge enters into production in two distinct ways. A new design enables the production of a new good that can be used to produce output. A new design also increases the total stock of knowledge and thereby increases the productivity of human capital in the research sector.”

– Paul Romer (1990, p. S84)

Section 3
Seven Levels of Human
Choice Making



Seven Different Levels of Human Choices




Persons

Focus: Turning personal abilities into capabilities...

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Seven Different Levels of Human Choices

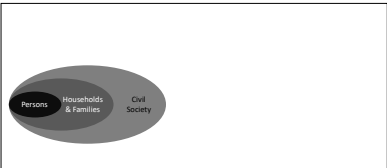


Persons Households & Families

Focus: Passing on and transforming cultural capabilities...

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Seven Different Levels of Human Choices

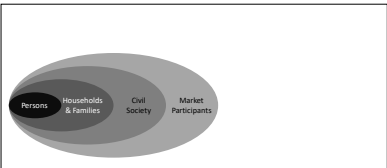


Persons Households & Families Civil Society

Focus: Increased capabilities through collective action...

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Seven Different Levels of Human Choices

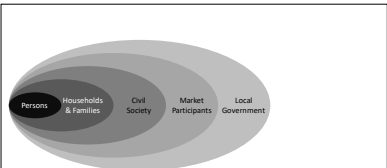


Persons Households & Families Civil Society Market Participants

Focus: David Teece's capability theory of the firm...

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Seven Different Levels of Human Choices

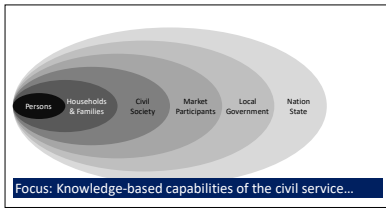


Persons Households & Families Civil Society Market Participants Local Government

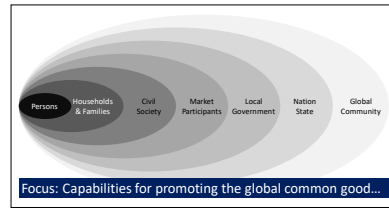
Focus: Place-based policies building on local capabilities...

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Seven Different Levels of Human Choices



Seven Different Levels of Human Choices

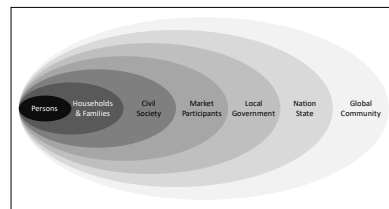


Section 4

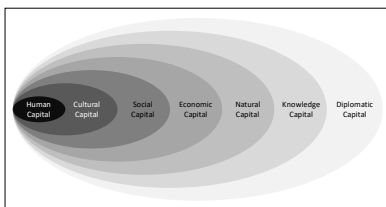
Seven Types of Capital Investment



Each chapter focuses on a capital stock.



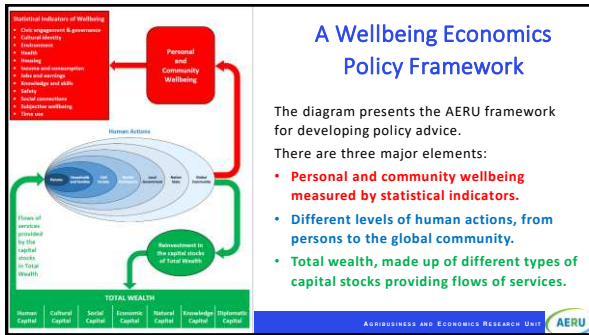
Again, these all influence each other.



Section 5

A Wellbeing Economics Policy Framework





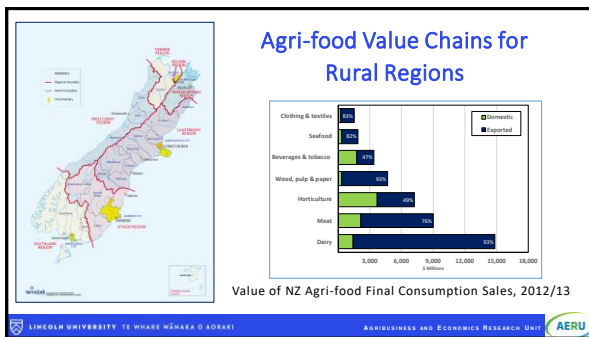
Capital	Description of the Associated Capital Investment
Human	Discovering and disciplining personal skills through effective participation in education.
Cultural	Inheriting, practicing, transforming and bequeathing values from generation to generation.
Social	Strengthening diverse networks, voluntary organisations and bonds of trust within communities.
Natural	Conserving wilderness and managed areas to maintain or improve the environment's ecosystem services.
Economic	Constructing and owning enduring produced assets, including infrastructure, to increase material wellbeing.
Knowledge	Researching and developing new knowledge that expands capabilities for wellbeing.
Diplomatic	Cultivating inter-government and non-government organisations that foster international collaboration.

Section 6 AERU Research on Global Agri-food Value Chains

Agri-food Value Chains for Rural Regions

For New Zealand's rural regions, what are the capabilities they can develop for wellbeing, and how can these capabilities be expanded by investment in the different types of capital?

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Agri-food Value Chains for Rural Regions

For New Zealand's rural regions, the agri-food value chains are global value chains. Hence, producers must create enterprises that have capabilities for understanding the values of consumers in key international market segments, and capabilities for delivering products that meet those values.

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The AERU Research Programme since 2010



Annex C

Vision: New Zealand's land-based export products should be marketed to international consumers as more valuable than basic commodities.

1. How do food and fibre consumers in New Zealand's international markets understand and value different attributes of the products they purchase?
 - Physical attributes
 - Credence attributes
 - Cultural attributes
2. How can New Zealand create a stronger global profile for the quality of its food and fibre exports?

The AERU Research Programme since 2010

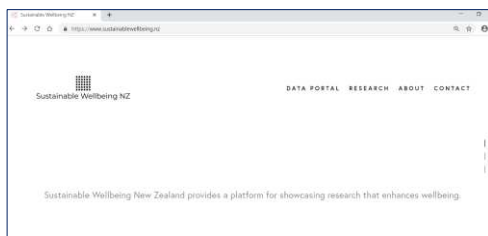


Annex C

Vision: New Zealand's land-based export products should be marketed to international consumers as more valuable than basic commodities.

3. What are the key protocols for designing global agri-food value chains that will create value for consumers, and capture some of that increased value for New Zealand producers and processors?
4. What are the characteristics of entrepreneurial leadership that can achieve transformation in New Zealand's agri-food value chains?
5. How can new technologies be used to connect New Zealand producers with their global consumers?

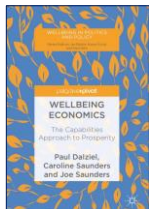
The AERU Sustainable Wellbeing Website



Section 7 Conclusion



Wellbeing Economics: The Capabilities Approach to Prosperity



Thank you for the opportunity to speak at this conference. I would be very pleased for any feedback on this presentation or suggestions of literature we should read.

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