Measuring World Better Life Frontier

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Abstract

The OECD Better Life initiative released a comprehensive set of 11 well-being indicators covering 34 countries in 2011. Each indicator captures a different facet of better life. However, how to aggregate these 11 sub-indicators into one composite indicator of the overall well-being is left to the user of that statistics. We propose a method of aggregation for deriving a composite well-being indicator based on the production theory. In our model, 11 well-being sub-indicators are considered distinct outputs and attainable from the resources endowed with each country. We use linear programming techniques to construct a best practice performance frontier. Measuring a distance from the performances of each country to the benchmark frontier allows us to derive a composite well-being indicator and rank 34 countries according to the indicator.

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