A Review of the Literature on Regrettables and Implications for the Index of Economic Well-being

The Index of Economic Well-being (IEWB), developed by the Centre for the Study of Living Standards (CSLS), includes in the consumption domain what are called regrettable expenditures (Thomas and Uguccioni, 2016). These expenditures are defined as spending that is socially necessary but does not enhance economic well-being. The IEWB currently includes four types of regrettables: the costs of commuting, the costs of crime, the costs of divorce, and the costs of household pollution abatement, based on a framework developed for the Genuine Progress Indicator (GPI) in the 1990s. Experimental estimates for these four types of regrettables have been made by Statistics Canada.

This Directed Research project will contribute to the CSLS research effort related to the improvement of the methodology behind the IEWB by conducting a review of the literature on the concept of regrettable expenditure and making recommendations based on this review to revise the current treatment of regrettables in the IEWB. The project will consist of three parts. The first part will review the concept of regrettable expenditure in the literature, with particular attention to how it has been treated in metrics of well-being such as the GPI. The second part will make recommendations for changes to the current treatment related to regrettables for the IEWB, based what is seen as the most persuasive arguments found in the literature. One recommendation may be to drop the concept of regrettables from the IEWB because a lack of consensus on what constitutes a regrettable and the empirical challenges of developing credible estimates of the costs associated with them. Time permitting, and if it is found that regrettables should continue to be included in the IEWB, the third part of the project can formulate a new definition of regrettables and develop estimates based on this definition for the IEWB.

The Directed Research project will provide the student an opportunity to acquire detailed knowledge on the concept of regrettable expenditure and to apply this knowledge to improve a metric of well-being, the IEWB.

Reference


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