

Consiglio Nazionale dell'Economia e del Lavoro

**“THE MEETING BETWEEN UNCERTAINTY AND
ECONOMY:
THE DEFINITION OF A SOCIETY’S WELL BEING.”**

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1. Economists have provided us with extensive reflection over the concept of well being, and the conditions which may determine its variations. From Stuart Mill, to Pigou, Pareto, Kaldor (and many others) the problem has been studied in its various aspects.

The outcome of studies has proven that it is extremely difficult to measure and compare individuals well being variations. Many of those difficulties are now seen as limits of GNP. As matter of fact, the problem has now returned to the general attention.

There are three factors which have changed the life of men.

Once, men's principal activity was agriculture. This is no longer the case. And the ecological problem is a consequence of this transformation. We are no longer sure, we are uncertain, about the natural environment we will be living.

Secondly, our economy and our society have emerged from a relatively stationary situation, typical of agriculture, reaching a far more dynamic characteristic. Undoubtedly a dynamic society is much better compared to a stationary society, but on the other hand dynamism has also brought a high level of uncertainty.

The third major transformation is globalization.

There are phenomena which are beyond national control. Even more so in a situation where, as noted by Amin Maalof, "we are now living in a world with no rules".

This is a relevant issue. Rules are meant to give certainty to behaviours.

One of the main factors of uncertainty is the crisis of the value system.

Trust amongst individuals, towards institutions or towards the banking and financial system is largely founded on sharing moral rules, inspiring behavior itself.

Reputation and rigorous behaviors represent the basis of “exchange”. When trust is betrayed the market enters in a crisis.

Ethical values are the true prerequisite of the market and insofar merit, trust, social cohesion are inseparable from market economy.

These are, in my view, the three main historical transformations which have drawn new attention towards the quality of life, and in my opinion, towards the problem of uncertainty. Uncertainty is not in GNP.

2. How do we measure the changes in the quality of life? A methodological warning is necessary.

The risk is that the selected variables, and the related indicators, are not objective but subjective: they could reflect the preferences of researchers.

We are, in fact, observing a proliferation of variables and indicators considered essential to calculate the quality of life.

The only way out to assign greater objectivity to the detection of variables is represented by the statistics of perceptions of the community.

Ideally, a **census of perceptions** should be suggested.

Naturally, the role played by a wise political class is decisive, a class capable of interpreting the problems of the quality of life. For this reason also more democracy means quality of life.

3. On the basis of previous statements, I believe a basic role should be attributed to the problem of uncertainty.

The quality of life first of all depends on trust in the capacity to increase a nation's income, and in time of difficulty, trust in the capacity to prevent and cure economic cycles, i.e. the crisis of anti-cyclical policies.

But uncertainty also depends on lack of trust in efficient public administration, health, security, air quality, access to primary goods and services, and certainty of law.

Uncertainty also stems from greater or minor social integration, therefore uncertainty is total in the unemployed; an uncertain life condition is to be found in "non decent work", loneliness of the elderly, in the condition of immigrants, in the mechanism of a non meritocratic society, where one's status comes more from the will of the powerful than from the merit of individuals themselves. An efficient market is meant to reward merit.

Uncertainty is also comes by the difficulty of individuals to formulate life projects and of the political class to formulate long term projects.

Therefore, I see uncertainty as a key variable for the improvement in quality of life.

I must however underline that if there is a problem of GDP distribution, there is also a problem of distribution of life quality. Life quality is not the same all over the world.

4. So, now the question is: **to what extent is the public sector more effective than the private one (and vice versa) in fighting uncertainty ?**

And so we return to the classical issue, the choice between State and Market. The major improvements in the quality of life result of a joint action between them, and non government organisation (OGM). The drop in the number of working hours, prolongation of life, pain therapies, are maybe the main examples of this joint action.

However, one of the main instruments against uncertainty is represented by private savings, insurance risk coverage, extension of private property.

But there are “**public assets**” which cannot be achieved through private initiatives and of which uncertain availability is a serious problem. Broadly speaking, fighting poverty should represent a public asset.

5. There are many international initiatives aimed at improving data and indicators completing GDP.

Italy has already taken on this challenge, but wants to move on.

It is my intention to set up a round table at CNEL - the National Council of Economics and Labour **to measure the progress of the Italian society.** I hope the realization of this commitment meets the cooperation of other Institutions and obtains support from the OECD, which has a special competence on the subject.

My second initiative is to propose to AICESIS (the International Network of Economic and Social Councils) the idea to measure progress in the countries members of the Association.

The role played by the National Economic and Social Councils in promoting and achieving the measure of progress in our societies may be decisive in many countries in strengthening the democratic governance, enabling citizens to be better informed about the state and trends of the society they live in.

In conclusion I wish underline that uncertainty is enemy of quality of life. And I considerate uncertainty as a possible basic principle to unify many indicators commonly proposed, and apparently disconnected each other.

If so, the mission of the statistics is to measure uncertainty and its factors.

And the mission of politicians is to make policies against uncertainty or to reduce it.

These are hard, but high, missions !