

Tentative Summary of the International Conference by Secretariat

Since 2001, the ESRI has held the International Conference annually that brings together economists from Japan, the United States, and other countries. This year's conference took place on July 31, discussing the theme of "Measuring Advancement of Economy and Society: Economic Growth and Well-being." The following is a summary of the discussions.

<Keynote Speech>

Speaker: Aaron HEDLUND (Council of Economic Advisors [Online])

HEDLUND presented his research on the economic and fiscal impacts of business tax incentives, specifically the business provisions of the One Big Beautiful Bill Act (OBBBA). For this purpose, the authors developed a dynamic, multisector capital model with heterogeneous adjustment costs, a model suitably designed to study the temporary and heterogeneous tax changes such as the OBBBA. The main predictions were that the OBBBA business provisions would lead to a ten-year GDP increase of 0.85% and reduce the budget deficit by 400 billion dollars. The lessons from the analysis were as follows: (1) Capital adjustment costs were an important determinant of scores, because lower adjustment costs led to higher GDP, which in turn led to more tax revenue. (2) The ten-year scoring window was biased in favor of temporary provisions, because it downplayed the impact of higher long-run growth on revenue under permanent provisions. (3) Disaggregated analysis of heterogeneous investment responses was important for long-run and short-run analysis of the aggregate score, because it allowed the authors to capture short-run dynamics better and also to account for long-run reallocation of capital.

<Session 1> Well-Being: Measurement and Its Application to Policy

Chair: Takeo HOSHI (University of Tokyo)

Presenter: Hironobu UEDA (ESRI)

Discussant: Betsey STEVENSON (University of Michigan)

UEDA presented the research conducted by the Well-being Research Unit at ESRI. He began by reviewing the recent progress in well-being measurement and some interesting trends in Japanese life satisfaction scores: Life satisfaction in Japan was relatively low internationally, but the majority of the respondents in Japan said that their current life satisfaction level matched their ideal one. He then posed the main research question: "Can the sample question regarding Eudaimonia proposed in the OECD Guidelines adequately capture Eudaimonia in the Japanese context?" He hypothesized that the concept of "Ikigai," which was familiar in Japan and which closely reflected the meaning and purpose in life, might capture Eudaimonia more effectively. Results suggested that Ikigai exhibited a lower correlation with life satisfaction than "Yarigai/Worthwhile," which was another measure of Eudaimonia based on the OECD guideline. Also, while certain domains such as employment, housing, and education were associated with only life satisfaction and Yarigai/Worthwhile, other domains such as politics and natural environment were associated with only Ikigai, suggesting that Ikigai might be more closely related to common good. Finally, Ikigai was positively linked to participation in volunteer activities and job satisfaction.

STEVENSON first introduced previous findings that hedonic measures of subjective well-being, such as happiness and life satisfaction, were tightly linked to income, both within and between countries and over time. She next noted that the relationships with income were much less clear for eudaimonic measures of well-being, such as meaning and purpose. She then suggested that Ikigai did not seem to relate to income, citing **UEDA**'s finding that it was related to income relatively weakly and that it was not related to employment in a statistically significant manner. She concluded by noting that Ikigai was not a substitute for the GDP measure, and that it captured some important aspect of a good life that could possibly be fostered without a high income or a job, which would be important given AI's possible labor market impacts.

<Session 2> Evolution of the System of National Account (SNA)

Chair: Anil KASHYAP (University of Chicago)

Presenter: David CUTLER (Harvard University)

Discussant: Masako II (Hitotsubashi University)

CUTLER introduced his work on the healthcare satellite account that showed medical care productivity for the elderly population in the US. He first noted difficulties in defining industries and in measuring outcomes for the purpose of estimating medical care productivity. He and his team defined industries as medical conditions rather than provider types, and measured outcomes by the degree to which medical spending improved quality-adjusted life expectancy for each condition. They found that the overall net benefit of medical spending was positive and fast-growing, and substantially heterogeneous across medical conditions, with the largest benefit for cardiovascular disease. He concluded by saying that he was interested in extending his work of productivity measurement to other countries.

II began her discussion by comparing the medical costs between the US and Japan, pointing out that some procedures were more expensive in Japan, in contrast to the common belief. She then commented on **CUTLER**'s presentation, raising issues such as how the study accounted for multimorbidity, whether the study isolated medical services from long-term care services, and whether he had considered extending the study with more recent data. She concluded by discussing ideas relevant to measuring medical costs and quality in Japan.

<Session 3> Non-Monetary Factors for Economic Growth

Chair: Alan AUERBACH (UC Berkeley)

Presenter: Achyuta ADHVARYU (UC San Diego)

Discussant: Mari TANAKA (University of Tokyo/Hitotsubashi University)

ADHVARYU reviewed the findings of previous research on the causal effects of investing in workers on firm productivity, mostly in manufacturing companies in developing countries. He focused on six areas of investment: (1) training soft skills, such as teamwork and communication skills, (2) enabling voice, the ability of employees to communicate with the employer and have the feedback translate into action, (3) improving environmental conditions, such as temperature, lighting, and air pollution, (4) improving managerial quality, (5) facilitating financial inclusion, to relax the liquidity constraints of workers, and (6) improving mental health, e.g., by fostering friendships in the workplace. He noted that these interventions had been

shown to substantially increase firm productivity, with large returns on investment by firms. He finally suggested reasons for firms not investing in workers, including information frictions (firms' ignorance of the effects), risk aversion (firms disliking the uncertainty in the value of investment), managers' limited attention, and misalignment of incentives.

TANAKA first provided her thoughts on the mechanisms behind the impacts of interventions on outcomes. To discuss the applicability of the findings to Japan, she emphasized the importance of considering the mechanisms and the similarities between the previous studies' settings and Japanese setting, and suggested that researchers should conduct more randomized controlled trials in developed countries. For Japan, she suggested that investments in managerial quality and voice might improve productivity, and also raised the issues of the cost effectiveness of non-monetary versus monetary interventions and the impacts of promoting gender equality in workplace.

<Panel Discussion> Measuring Advancement of Economy and Society: Economic Growth and Well-Being

Chair: Yutaka MURAYAMA (ESRI)

Panelists: Charles HORIOKA (Kobe University)

Norihito SAKAMOTO (Tokyo University of Science)

Matthew SHAPIRO (University of Michigan)

Justin WOLFERS (University of Michigan)

MURAYAMA set the stage for the panel discussion by mentioning four points about the recent trend in well-being measurement. First, he noted the growing importance of non-market aspects, such as "beyond GDP" indicators. Second, he emphasized the importance of thinking about mechanisms to improve desired outcomes, when discussing measurement. Third, he highlighted the importance of distributional information, referring to the 2025 SNA standards. Lastly, he posed questions about what techniques would maximize the benefits of digitization and big data, or be useful to conduct a subjective survey.

HORIOKA introduced the activities of the International Association for Research in Income and Wealth (IARIW), an international research platform, emphasizing its role in well-being research and policy. IARIW was founded to advance economic measurement with a worldwide scope. He noted that General Conferences and Special Conferences, which were conferences held by IARIW, and the Review of Income and Wealth, a journal issued by IARIW, both featured substantial research on subjective well-being.

SAKAMOTO discussed three theoretical issues in using social welfare for normative evaluation. The first was how to measure individual well-being. He noted the need to compare well-being interpersonally, and to choose between subjective and objective well-being indicators. He favored objective ones from the perspective of respecting the dominance principle. The second was how to aggregate and evaluate the distributions of individual well-being. He suggested some methods, though we would additionally need to consider ways to balance the interests of majorities and minorities. The final issue was what normative criteria should be used to

evaluate social welfare. He argued that economists should balance various normative criteria in a theoretically consistent manner.

SHAPIRO discussed issues with accounting for non-market goods. He first noted the fundamental feature of GDP that it was based on the valuation of the marginal purchasers and that it did not include consumer surplus. He then noted the implication of this property, namely that non-market or “free” goods would offer large consumer surplus but small contributions to GDP. He suggested using satellite accounts for such goods, but remarked that elicitation of consumers’ or social willingness to pay should respect a budget constraint.

WOLFERS made four claims. He first claimed that alternative indicators of well-being were fun to think about but rarely influenced policy advice. He noted that measures of well-being were highly correlated to income, meaning the limited informativeness of the former, and that policies which could move the two measures in the opposite directions were rarely supported. Second, he noted that subjective well-being was closely related to real GDP per capita. His third claim was that the world was getting better in terms of well-being, and that this trend was highly accurately predicted using GDP. Finally, he claimed that objective data were somewhat subjective. He illustrated this point by noting that different methods to measure poverty led to very different poverty lines.

MURAYAMA then asked panelists to comment each other’s presentations. **HORIOKA** noticed divergence in panelists’ opinions, and suggested that we could consider improving GDP instead of substituting it with subjective measures. **SAKAMOTO** talked about the issue of adaptive preferences and divergence between countries in the distribution of subjective well-being. He also emphasized that social choice theory could contribute to the measurement of social welfare, especially to think about incorporating various normative criteria into social welfare functions. **SHAPIRO** argued for the usefulness of having many measures of well-being. He emphasized that we should think about the question we would like to answer, the purpose of data, and so on, noting that different concepts would be relevant to various economic questions such as fiscal and monetary policies. **WOLFERS** appreciated the presence of panelists with divergent perspectives. He then suggested the possibility that policy debates could be more relevant to the broader public if we adopted the language that would appeal to them better, and if we talked about the negative sides of well-being, such as relieving pain and distress.

<Closing Remark>

Hiroshi NOMURA (ESRI) mentioned current tasks of ESRI that were relevant to this conference, specifically the implementation of the 2025 SNA and the creation of satellite accounts, hoping that ESRI could contribute to the next revision of the SNA standards. He also said that Japanese economy was at its turning point, and then suggested the plan that the next year’s conference would feature the review of the Japanese economy through the first quarter of the 21st century, covering issues such as the post-bubble economic adjustments, e.g., tackling deflation and fiscal consolidation, and structural reforms to maintain sustainability in the face of lower fertility and accelerated population aging. He concluded by expressing his gratitude for the supports of the participants.