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Weights in Multidimensional Indices of Wellbeing: A New Approach

Lidia Ceriani
Chiara Gigliarano
Paolo Verme

The study of multidimensional wellbeing has long recognized the importance of formalizing the interaction between dimensions, but came short of treating this formally. In this paper, we show that information on the interaction between dimensions can be included in the weighting structure of multidimensional indices of wellbeing. In particular, starting from the definition of the Bayesian Network describing the relation between different dimensions, weights are proportional to the strength of the arc connecting each dimension with the target node, and reflect whether the link is direct or indirect. This new approach departs from the dichotomy of normative and data-driven approaches found in the literature: it allows to formally associate weights to the policy effectiveness of treating each dimension, while taking into account the overall correlation structures linking dimensions of wellbeing. The paper presents an empirical application where the new system of weights is compared with other weights schemes found in the literature.