

For Online Publication:

## Appendix for “Beyond GDP? Welfare across Countries and Time”

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### **A Introduction**

This online appendix has several parts:

- A detailed section of caveats
- Value of life results for the 13 countries in the micro sample
- Data appendix for micro data
- Data appendix for macro data.

### **B Caveats**

We briefly discuss some limitations of our welfare measure.

Our welfare index uses data from a given country-year, much like life expectancy summarizes the cross-section distribution of mortality rates. It assumes a common growth rate for consumption (at each age) and fixed leisure and mortality at each age. It is therefore not good at capturing transition dynamics. To the extent consumption, leisure, or life expectancy exhibit transition dynamics or even trend breaks (as with China after 1978), lifetime utility could differ markedly from our snapshot. This is all

the more true if individual utility is not separable over time so that mobility in consumption and leisure matter. If an individual or even whole economy is transitioning to a higher level of consumption, current levels of consumption can be too pessimistic about lifetime utility. We explored this issue in Table 8 of Jones and Klenow (2010) and noted that most observed cross-country differences in consumption-output ratios reflect persistent (steady state) differences rather than transition dynamics.

In a recursive world, one could take a value function approach, identifying the state variables that matter for discounted welfare. Relevant states might include the stocks of human and physical capital, TFP in producing final goods and health, and the degree of consumption insurance.<sup>1</sup> An advantage of this complementary value function approach is that it might shed light on underlying policy distortions, as opposed to simply evaluating outcomes.

We evaluate outcomes in terms of a single utility function both within and across countries. In contrast, preference heterogeneity (at least within countries) is a routine assumption in labor economics and public finance. See Weinzierl (2009) for a recent discussion of how preference heterogeneity can affect optimal taxation. Although we believe it is beyond the scope of this paper, one could try to use household data to quantify preference heterogeneity within countries.

Related, in our baseline calibration only a worker with U.S. averages is assumed to be equating their marginal rate of substitution between consumption and leisure and their real after-tax wage. We are implicitly invoking wedges to explain deviations from this static first order condition when and where they occur. Again, an alternative for future research is to explore the role of preference heterogeneity across individuals within countries and maybe even across countries.

In this same vein, countries may differ in the efficiency of time spent in home production. For example, human capital is surely useful at home (e.g. in childcare) as well as in the market. To the extent the benefits take the form of future consumption, our flow welfare index could pick this up eventually. Also, if leisure is more productive because of a higher consumption, then this could arguably be dealt with by nonseparable momentary utility between consumption and leisure.

Our narrow utility over consumption and leisure ignores altruism, for example within

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<sup>1</sup>Related, Basu, Pascali, Schiantarelli and Serven (2010) suggest that total factor productivity growth may, under quite general circumstances, be interpreted as a measure of welfare growth.

families. Given the big differences in family size and population growth rates across countries (e.g., Tertilt (2005)), incorporating intergenerational altruism could have a first order effect on welfare calculations.

Our measure of health focuses on the easier-to-measure extensive margin (quantity of life), following a long tradition; see especially Nordhaus (2003). However, the intensive margin (quality of life) is obviously important as well. To the extent we include health spending in our measure of consumption, one could argue we are capturing the intensive margin across countries, and maybe even double-counting the extensive margin. But this ignores differences in the natural disease environment that may cause differences in morbidity for a given amount of health spending (e.g. the prevalence of malaria). Moreover, in the cross-section within countries, health may be negatively correlated with health spending (e.g. across age groups).<sup>2</sup>

Some of our parameter values implied negative flow utility for some individuals in the poorest countries. This may understate welfare in these countries, although negative flow utility in some periods of life is not inconsistent with positive lifetime utility. With estimates of the value of life in some of the poorest countries, one could get a sense for how badly this misses the mark.<sup>3</sup> One could also incorporate heterogeneity in mortality rates within a country; Edwards (2010) suggests that this may be quantitatively significant in his extension of the Becker, Philipson and Soares (2005) growth rates.

We have neglected the natural environment more generally. The quality of the air, water, and so on provide utility for a given amount of market consumption and leisure and help sustain future consumption. See, for example, U.S. Bureau of Economic Analysis (1994), Dasgupta (2001) and Arrow et al. (2004).

There have been various efforts to quantify the economic costs of crime (including prevention), such as Anderson (1999). Possibly related, Nordhaus and Tobin (1972) subtracted urban disamenities in calculating their Measure of Economic Welfare.

The data we use for aggregate real consumption per capita is converted into dollars using estimated PPP exchange rates. The underlying price ratios are supposed to be

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<sup>2</sup>A large recent literature also emphasizes the possible causal links between health and growth: for example Acemoglu and Johnson (2007), Bleakley (2007), Weil (2007), Feyrer, Politi and Weil (2008), and Aghion, Howitt and Murtin (2010).

<sup>3</sup>In this vein, Kremer, Leino, Miguel and Zwane (2011) use valuation of clean water in rural Kenya to estimate the implied value of averting a child death at between \$769 and \$3006.

for comparable-quality goods and services. But in practice it can be difficult to fully control for quality differences, especially for education and health. And the current methodology makes no attempt to quantify differences in variety across countries. Any errors in the PPP exchange rate for consumption will contaminate the consumption portion of our welfare index.

Related, households in a given country may face different price indices (inclusive of variety and quality). If so, then expenditures are not proportional to true consumption within countries, as we have assumed. If true price indices are positively correlated with expenditures (i.e., prices are lower in poorer areas), then the Gini coefficients we use overstate consumption inequality.

Finally, we have not experimented with non-standard preferences such as habit formation or keeping up with the Joneses. Doing so could imply smaller differences in flow utility from gaps in average consumption across countries. How these alternative preferences would affect the welfare costs of inequality is less clear.

## C Value of Life in Various Countries

Table A1 reports the value of life at age 40 associated with our baseline results (see Table 2 in the main paper). As is well-known, the case of log utility implies an income effect in the value of life. For example, we find that the value of life at age 40 in the U.S. in 2006 is \$5.9 million versus \$1.2 million in Mexico and around \$200,000 in China. As the last column of the table shows, these differences are smaller but still important when reported in units of “years of age 40 consumption.”

## D Micro Data

### D1. Overview

For the Household Survey data, we wrote two Stata programs to analyze the data for each country-year:

- WBC\_YR\_sumstats.do
- WBC\_YR\_lamstats.do

Table A1: Value of Life at Age 40

	Millions of 2007 dollars	Years of age 40 consumption
US	5.86	169.7
UK	4.44	166.5
France	3.63	169.2
Italy	3.30	165.0
Spain	2.79	155.6
Mexico	1.16	117.6
Russia	1.48	103.7
Brazil	0.63	94.2
South Africa	0.34	69.0
China	0.20	72.8
Indonesia	0.17	62.6
India	0.11	53.0
Malawi	0.01	12.6

Notes: The table shows the value of life for a 40-year old in the different countries/years in our baseline case; see Table 2 of the main paper for additional notes. Recall that we calibrate the  $\bar{u}$  parameter to a value of life of \$6 million in the U.S. in 2007. The second column reports this value of life as a ratio to average consumption in each country at age 40.

WBC refers to the three-letter World Bank Country Code (BRA, CHN, ESP, FRA, GBR, IDN, IND, ITA, MEX, MWI, RUS, ZAF, or USA). YR refers to the year of the survey (e.g. 06 for 2006, 85 for 1985). The “sumstats” files create datasets WBC\_YR.dta with the following common set of variables for each individual covered in that household survey:

- hhid (household id code)
- hhsz (number of individuals in the household)
- age (age of the individual)
- leisure (fraction of the time endowment the individual is not working)
- hhexp (total household expenditures on nondurables and services)
- weight (sampling weight)

See Table 1 in the text for the number of individual observations in each country-year. Below we describe in more detail how we constructed household expenditures and hours worked for individuals in each survey. In each case, we define expenditures as those on nondurables and services to the exclusion of durable goods. We divide household expenditures by the number of individuals in the household to obtain individual consumption. And we define leisure as the proportion of total hours in a year that a person does not work:

$$leisure = \frac{(5840 - \text{annual hours worked})}{5840},$$

where  $5840 = 365 \text{ days} \cdot 16 \text{ waking hours per day}$ . For countries in which only “usual weekly hours” are available, we use an estimate of the number of weeks worked from other sources (typically the OECD), as described below. For countries in which only the “previous week’s hours” are available, we multiply by 52 weeks per year under the assumption that people in the survey will have been randomly taking vacation in the previous week so that 52 is appropriate.

The “lamstats” files read in WBC\_YR.dta and calculate welfare relative to the U.S. in the same year (in log differences), and its additive components due to life expectancy, average consumption, consumption inequality, average leisure, and leisure inequality. These calculations are made using sampling weights.

## **D2. Brazil**

For Brazil (BRA), we use the Consumer Expenditure Survey (Pesquisa de Orcamentos Familiares or POF) and the National Household Sample Survey (Pesquisa Nacional por Amostra de Domicilios or PNAD), both of which are conducted by the Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatstica or IBGE). The POF and PNAD contain (but not limited to) information about each surveyed household’s income, expenditures on final consumer goods, and demographic characteristics. Both surveys are representative at the national level once sampling weights are applied. We use the earliest and latest years with the necessary data, 2002-2003 and 2008-2009, to calculate the growth rates. We use the most relevant year, 2002-2003, for comparison with the U.S.

The PNAD and the POF have separate schedules on consumption and hours worked, respectively, in 2002-2003 and 2008-2009. As the utility function we use in the micro calculations is additively separable in consumption and leisure, we simply calculated the consumption and leisure terms on the separate samples from the PNAD and the POF in both years.

We construct consumption by adding up the reported expenditures on the following: food, clothing, housing (rent and estimated rent for those who own their house), utilities, communication services, medical services, transportation services, education and cultural spending. In each case we exclude durables (furniture, durable leisure goods, vehicles, etc.). Besides excluding the value of expenditures on durables, we exclude the following: maintenance; repair and expansion of housing; deposits in savings accounts; loans and debt payments; retirement, pensions allowance and other regular income deductions; transfers made to acquaintances and for charity.

The PNAD contains information about typical weekly hours worked for all members of the household aged 16 years and older. Because the survey does not ask about weeks worked in the year and Brazil is not one of the OECD countries, we use the OECD statistics for the average of the weeks worked per worker across OECD countries: 45.8 weeks in 2003 and 45.4 weeks in 2008. For those in the household under 16 years old, we assume zero hours worked so that their fraction of leisure time is 1.

### **D3. China**

For China we use the Chinese Household Income Project (CHIP) survey conducted by the Rural Survey Group of the National Bureau of Statistics of China and by the Institute of Economics of the Chinese Academy of Social Science. The CHIP covers both rural and urban areas of China. The datasets contain (but not limited to) each surveyed household's income, expenditures on final consumer goods, and demographic characteristics. The survey is a repeated cross section, conducted every seven years since 1988, and considered to be self-weighted. Because the 1988 and 1995 surveys did not include information about hours worked per week, and the 2007 survey is not yet available, we only use the 2002 CHIP.

We construct consumption for urban and rural households by adding up the reported expenditures on the following: food, clothing, housing (rent and estimated rent

for those who own their house), utilities, communication services, medical services, transportation services, education and cultural spending. In these categories we include estimated home production for self-consumption and gifts received. In each case we exclude durables (furniture, durable leisure goods, vehicles, etc.). Besides excluding expenditures on durables, we exclude the following: maintenance, repair and expansion of housing; spending on family business and agricultural production, deposits in savings accounts; loans and debt payments; income and property taxes; purchases of land, houses or condominiums; and transfers made to acquaintances and for charity. One drawback of the CHIP data is that it lacks rent information for rural households. To impute rent in rural areas, we use the average rent over value ratio for houses in urban areas and apply the urban ratio to the value of each house in a rural area.

The urban dataset contains information about monthly hours worked and number of months employed for all members of the household aged 16 years and older. For rural residents, we construct hours worked by adding up the reported hours worked in planting, raising livestock and non-agriculture jobs. For those in the household under 16 years old, we assume zero hours worked so that their fraction of leisure time is 1.

#### **D4. Spain**

For Spain (ESP), we used the European Community Household Panel (ECHP) carried out by the European Commission and the Encuesta Continua de Presupuestos Familiares (ECPF) Base 1997 carried out by the Instituto Nacional de Estadística. The ECPF is a quarterly survey that contains information about household expenditures and demographic characteristics for a panel of households. The Base 1997 survey is available for the years 1998-2005. The ECHP is a panel survey and contains information about employment and demographic characteristics for the years 1994-2001. We use the latest year with both consumption and leisure data, 2001, for comparison with the U.S.

Our measure of consumption includes reported expenditures on the following: food and beverages, clothing and footwear, housing, water, electricity, gas and other fuels, health (medical services, drugs, etc), transportation services, communications (postal services, telephone, telegraph, and fax services), leisure and entertainment, education services, hotels, cafes and restaurants, personal care (hairdressing etc), social protection, insurance and other financial services. We exclude spending on durable goods



(furniture, appliances, vehicles etc) as well as spending on the maintenance and repair of the house and other durable goods, and remittances to non-resident household members. We use the average annual consumption over the four quarters of the ECPF.

The ECHP dataset contains information about the total number of hours working per week in main and additional jobs for household members aged 16 and over. Because the survey does not ask about weeks worked in the year, we assume those working work 43.1 weeks, as in the 2001 OECD statistics for Spain. For those in the household under 16 years old, we assume zero hours worked so that their fraction of leisure time is 1.

## **D5. France**

For France (FRA) we use the Family Budget Survey (Enquete Budget de Famille - or EBF) conducted by the National Institute for Statistics and Economic Studies. The EBF contains information about each surveyed household's income, expenditures on final consumer goods, and demographic characteristics. The survey is a repeated cross section, conducted every five years since 1979, and is representative at the national level once sampling weights are applied. We use the earliest and latest years with the necessary data, 1984 and 2005, to calculate growth rates. We use the latest year, 2005, for comparison with the U.S. We construct consumption by adding up the reported expenditures on the following: food, clothing, utilities (payments for electricity, etc), accessories for the house (e.g., dishes, cooking utensils, light bulbs) excluding furniture, medical services, communication services (e.g., postal and telephone services), leisure and cultural spending (expenditures on pets, gardening, theater tickets, and entertainment events), accessories for personal care (soaps, perfumes, brush, etc.), professional services (lawyers, accountants, funerals, etc.), and transportation services (bus or subway tickets, taxi fees, etc.). In each case we exclude durables (furniture, durable leisure goods, vehicles, etc.). Besides excluding the value of expenditures on durables, we exclude the following: maintenance; repair and expansion of housing; deposits in savings accounts; loans and debt payments; income and property taxes; purchases of land, houses or condominiums; transfers made to acquaintances and for charity; and value of items stolen. The dataset contains information about weekly hours worked for all members of the household aged 16 years and older. Because

the household survey does not ask about weeks worked in the year, we use the OECD statistics for weeks worked per worker in France: 43.5 weeks in 1984 and 41.0 weeks in 2005. For those in the household under 16 years old, we assume zero hours worked so that their fraction of leisure time is 1.

## **D6. U.K.**

For the United Kingdom (GBR), we use the Family Expenditure Survey (FES) conducted by the Office for National Statistics. The FES contains information about each surveyed household's income, expenditures on final consumer goods, and demographic characteristics. The survey is a repeated cross section, conducted annually since 1957, and is representative at the national level once sampling weights are applied. We use the earliest and latest years with the necessary data, 1985 and 2005, to calculate growth rates. We use the latest year, 2005, for comparison with the U.S.

We used a cleaned version of the FES data generously made available by Richard Blundell and Ben Etheridge, following their methodology in Blundell and Etheridge (2010). As a result we apply their definitions of consumption expenditures and hours worked. Specifically, we start from their definition of non-durable goods (food, catering, alcohol, tobacco, fuel, household services, clothing, personal goods and services motoring expenses excluding vehicle purchases, travel expenses, leisure goods excluding audiovisual equipment, entertainment and holiday expenses) and add the real housing cost. We exclude durables expenditures.

The FES contains information about weekly hours worked for all members of the household aged 16 years and older. Because the survey does not ask about weeks worked in the year, we use the OECD statistics for weeks worked per worker in the nearest year in United Kingdom: 45.4 weeks in 1987 and 45.1 weeks in 2005. For those in the household under 16 years old, we assume zero hours worked so that their fraction of leisure time is 1. As the survey lumps children whose ages are 15 and below together, we assume they are equally distributed between age 1 and age 15 (inclusive).

## **D7. India**

For India (IND) we use the National Sample Survey (NSS) conducted by the Indian Ministry of Statistics and Programme Implementation. In some rounds (years) the NSS

contains information about expenditures on final consumer goods and demographic characteristics for a cross-section of households. We use the earliest and latest years with the necessary data, 1983-1984 and 2004-2005, to calculate growth rates. We use the latest year, 2004-2005, for comparison with the U.S. The 1983-1984 survey has separate schedules on consumption and time use, respectively. We were able to plausibly match roughly one-half of the households in the two schedules. The relevant statistics (consumption and leisure levels and inequality by age) are similar whether we use only the matched households or all households. As the utility function we use in the micro calculations is additively separable in consumption and leisure, we simply calculated the consumption and leisure terms on the separate samples in 1983-1984. The 2004-2005 survey covered both consumption and leisure for a common set of households. Our measure of consumption includes expenditures on the following, which the survey asks about specifically: food (itemized), fuel and light, cinema/theater/video, tuition fees, newspapers/magazines/fiction, medical expenses, toilet articles, regular (commuting type) and other journeys, house rent, clothing and footwear. Respondents were asked to include the value of home production consumed in these categories. We exclude spending on durable goods, which were also asked about and itemized (furniture, appliances, etc.). The dataset contains “daily time disposition” for the prior seven days for each household member. For each day, two main activities were identified and recorded. We count the following as working: self-employment, unpaid family labor, regular salary/wage employment, and casual wage labor. The survey asks the respondent to assign each activity a “full-intensity” (4 hours or more) or a “half-intensity” (1-4 hours). For constructing hours worked in a week, we treat full-intensity as 8 hours and half-intensity as 2.5 hours for the first 5 days of the week, and half these levels for days 6 and 7. With these values, many individuals work the resulting maximum of 48 hours in a week in the Indian survey. We multiply weekly hours worked by 52 weeks to get annual hours worked, as the prior seven days should include weeks not worked. As these conversions are admittedly arbitrary, however, the Indian leisure results must be taken with particular caution.

## **D8. Indonesia**

For Indonesia (IDN), we use the National Socioeconomic Surveys (SUSENAS) for 1993 and 2006 conducted by the Central Bureau of Statistics. This survey contains detailed information about each household's expenditures and demographic characteristics and includes sampling weights.

We construct consumption by adding up reported expenditures on the following: food, housing, fuel, lighting, education, health, clothing, and miscellaneous goods and services. We exclude expenditures on durables (household appliances, vehicles, jewelry etc.).

The SUSENAS survey contains information about weekly hours worked in the previous week for all members of the household aged 10 years and older. The survey does not ask about weeks worked in the year, so we multiply by 52 weeks to get annual hours worked. For people under the age of 10, we set hours worked to zero, so their fraction of leisure time is 1.

## **D9. Italy**

For Italy (ITA) we use the Survey of Household Income and Wealth (SHIW) conducted by the Bank of Italy. The SHIW contains detailed information about each household's expenditures and demographic characteristics. The survey is a repeated cross section, conducted annually from 1965 to 1987 (with the exception of 1985), and every other year since 1987 (with the exception of a three-year interval between 1995 and 1998). Information on hours and other dimensions of labor supply are available from 1987. It is representative at the national level once sampling weights are applied. We use the earliest and latest years with the necessary data, 1987 to 2006, to calculate growth rates. We use the latest year, 2006, for comparison with the U.S.

We use a cleaned version of the SHIW data generously made available by Tullio Jappelli and Luigi Pistaferri, used in Jappelli and Pistaferri (2010). Our measure of consumption includes expenditures on the following: housing (rent and estimated rent for those who own their house), other services, and non-durable goods. The survey question on non-housing consumption instructs the respondent to exclude the following categories (mostly durables): purchases of precious objects; purchases of cars; purchases of household appliances and furniture; extraordinary maintenance of your

dwelling; life insurance premiums; and contributions to private pension funds.

The SHIW contains information about average weekly hours worked during the year (as an employee or self-employed) for the respondent and for other family members 16 years old and older (spouse, son/daughter, etc.). It also contains months worked in the year. For those in the household under 16 years old, we set hours worked to zero, so their fraction of leisure time is 1.

## **D10. Malawi**

For Malawi (MWI) we use the 2004 Integrated Household Survey (IHS) conducted by the National Statistics Office. The survey contains information about each surveyed household's income, expenditures on final consumer goods, and demographic characteristics.

We construct consumption by taking the real annual household consumption expenditure aggregate in the auxiliary file of the dataset and subtracting from it furnishings, vehicles and major recreational durables. The resulting consumption measure includes expenditures on the following: food items, alcohol and tobacco, clothing, housing and utilities, health, transport services, communication, recreation, education, vendors and cafes, and other services.

The data contains information for all individuals 5 years or older on hours spent on household activities, collecting water and collecting firewood, hours spent on agricultural activities, household business, casual or daily (ganyu) labour, and salaried employment. The survey reports the number of hours spent on household business and agriculture in the week before the survey. We convert this to an annual value by multiplying by 52, as the week before should include weeks not worked for some individuals. We exclude hours spent on collecting water and firewood because values for these items are not available for inclusion in our consumption measure. For individuals who were employed in full time or part time jobs during the past 12 months, we compute annual hours worked by multiplying the reported weeks or months of work by the reported average days worked in a month and reported average hours worked per day.

## **D11. Mexico**

For Mexico we use the National Survey of Household Income and Expenditure (Encuesta Nacional de Ingresos y Gastos de los Hogares - or ENIGH) conducted by the National Institute of Statistics and Geography. ENIGH contains information about each surveyed household's income, expenditures on final consumer goods, and demographic characteristics. The survey is a repeated cross section, conducted every two years, and it is representative at the national level once sampling weights are applied. We use the earliest and latest years with the necessary data, 1984 and 2006, to calculate growth rates. We use the latest year, 2006, for comparison with the U.S. Our measure of consumption includes expenditures on the following: housing (rent and estimated rent for those who own their house), food, clothing and accessories, household services (e.g. utilities), accessories for the house (e.g., light bulbs) excluding furniture, leisure spending (expenditures on pets, gardening, and entertainment events), accessories for personal care (soaps, perfumes, brush, etc.), professional services (lawyers, accountants, funerals, etc.), and transportation services (bus or subway tickets, taxi fees, etc.). In these categories we include estimated home production for self-consumption and gifts received. In each case we exclude durables (furniture, durable leisure goods, vehicles, etc.). Besides excluding the value of expenditures on durables, we exclude the following: maintenance, repair and expansion of housing; deposits in savings accounts; loans and debt payments; income and property taxes; purchases of land, houses or condominiums; transfers made to acquaintances and for charity; and value of items stolen. The dataset contains information about weekly hours worked (in the previous month) for all members of the household aged 12 years and older. Because the survey does not ask about weeks worked in the year, we use the OECD statistics for weeks worked per worker in the nearest year in Mexico (41.4 weeks worked in 1991 and 43.2 in 2004). For those in the household under 12 years old, we assume zero hours worked so that the fraction of leisure time is 1 for them.

## **D12. Russia**

For Russia, we use the Russia Longitudinal Monitoring Survey (RLMS) organized by the Population Center at the University of North Carolina in cooperation with the Russian Academy of Sociology. The RLMS contains information about each surveyed house-

hold's income, expenditures on final consumer goods, and demographic characteristics. The survey is a repeated cross section and is representative at the national level once sampling weights are applied. We use the earliest and latest years with the necessary data, 1998 and 2007, to calculate growth rates. We use 2006 for comparison with the U.S.

Our measure of consumption includes reported expenditures on the following: food and beverages, clothing and footwear, housing services, water, electricity, gas and other fuels, health (medical services, drugs, etc.), transportation services, communications (postal services, telephone, telegraph, and fax services), leisure and entertainment, education services, hotels, cafes and restaurants, personal care (hairdressing etc.), social protection, insurance and other financial services. We exclude spending on durable goods (furniture, appliances, vehicles etc.) as well as spending on the maintenance and repair of the house and other durable goods.

The RLMS contains information about weekly hours worked for all members of the household aged 16 years and older. Because the survey does not ask about weeks worked in the year, we use the OECD statistics for Russia: 44.9 weeks in 1998, 44.1 weeks in 2006, and 44.4 weeks in 2007. For those in the household under 16 years old, we assume zero hours worked so that their fraction of leisure time is 1.

### **D13. South Africa**

For South Africa we use the Integrated Household Survey (HIS) conducted by the South Africa Labour Development Research Unit (at the University of Cape Town) in collaboration with the World Bank. The HIS contains information about each surveyed household's income, expenditures on final consumer goods, and demographic characteristics. The survey is a single cross section, conducted from mid-1993 through early 1994. Our measure of consumption includes expenditures on the following: housing (rent and estimated rent for those who own their house), utilities, food, personal items, clothing, health care, schooling, and transportation. The survey explicitly asks about food consumption from own production. We exclude durables expenditures (including home repairs). The dataset contains information about monthly hours worked for all members of the household aged 16 years and older. Workers include the self-employed, those employed in a family business (including crop production for own consumption),

those with regular employment, and those with casual or temporary employment. We multiply monthly hours worked by 12 months to get annual hours worked. For those in the household under 16 years old, we assume zero hours worked so that the fraction of leisure time is 1 for them.

#### **D14. United States**

For the U.S. we used the Consumer Expenditure Survey (CES) carried out by the U.S. Bureau of Labor Statistics. The CES contains information about each surveyed household's income, expenditures on final consumer goods, and demographic characteristics. The survey is a rotating panel of households, with each household reporting expenditures and hours worked for up to four consecutive quarters. We use various years from 1984 through 2006 for comparison with other countries (e.g. South Africa in 1993), and for calculating U.S. growth rates from 1984-2006. We use a cleaned version of the CES data generously made available by Dirk Krueger and Fabrizio Perri, following their methodology in Krueger and Perri (2006). As a result we use their definitions of consumption expenditures and hours worked. Specifically, we start from their definition of nondurables (food, personal care, fuel, utilities, household operations, public transportation, apparel, education, reading, health services, and miscellaneous personal services) and add the following: services from vehicles, other vehicle expenses, services from owned primary residence, rent, other lodging expenditures, and entertainment. We exclude durables expenditures. The CES contains information about weeks worked and hours per week for the respondent and for the respondent's spouse (if any). For other members of the household, we assumed zero hours worked so that the fraction of leisure time is 1. As the survey lumps children 15 and under (other than babies) together, we assume they are equally distributed between age 2 and age 15 (inclusive).

## **E Macro Data**

The basic data sources that we use and an overview of the manipulations of this data are described in the main paper in Section 6. Some of the basic underlying data that goes into our calculations is available in the spreadsheet where we report our extended results; that file is available at <http://www.stanford.edu/~chadj/BeyondGDP400.xls>. Once



we've double-checked and better annotated our matlab and stata programs, these will be made available. If you'd really like to see the programs immediately, send us an email and we'll be happy to provide them.

The file "BeyondGDP-ReplicationInstructions.txt" contained in "BeyondGDP-ReplicationFiles.zip" contains further details about the programs and how to replicate the results. The remainder of this section provides more details about the underlying data we use.

## E1. Programs for Reading and Cleaning Data

**WIID3aLevels80.m, WIID3aGrowth80.m:** These programs read and clean the WIID data on Gini coefficients. The source for our inequality data is the UNU-WIDER World Income Inequality Database, Version 3.0a, dated June 2014 and available at [http://www.wider.unu.edu/research/WIID-3a/en\\_GB/database/](http://www.wider.unu.edu/research/WIID-3a/en_GB/database/). The WIID database reports income and consumption Gini coefficients from a variety of micro data sets for many countries and years. We use consumption measures when they are available and infer consumption measures from disposable income measures when only the latter are available. For the cross-sectional analysis, we average across available observations that meet a certain quality threshold for the 3 observations available since 2000 that are closest to our reference year, 2007. For the time-series analysis, we use data from the 3 years closest to 1980 from the period 1975–1985 and from the 3 years closest to 2007 since 2000 for the 2007 estimate. **LifeExpectancyWB80.m:** Loads the life expectancy data from the World Bank. These data are taken directly from the World Bank's HNPStats database.<sup>4</sup> **WBAdultPopulation80.m:** We measure time spent in leisure or home production as the difference between a time endowment and time spent in employment. Our measure of time engaged in market work aims to capture both the extensive and intensive margins. For the extensive margin, the Penn World Tables, Version 8.0 provides a measure of employment. We divide this employment measure by the adult population, i.e. those ages 15 and over (obtained from the World Bank). The program WBAdultPopulation.m loads the fraction of the population aged 15 and over.

**AnnualHoursPWT80.m** Our measure of the intensive margin is annual hours worked per person. We use the "avh" series from PWT 8.0 to measure hours, which is primarily

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<sup>4</sup>See <http://go.worldbank.org/N2N84RDV00>, series code SP.DYN.LE00.IN.

available for OECD countries. Missing values are set equal to the U.S. value.

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