

## **How Public Welfare Services Affect Households Economic Welfare: Case Sweden 2009**

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Many people have a good notion of what GDP stands for. This is also the way a nation's production and economic progress over time are measured. Nonetheless, GDP gives very little information regarding people's welfare, especially their well-being. Since, for example Easterlin and Angelescu (2007) found that in average, in the long run, people do not become happier over time when national income increases –the Easterlin Paradox. The Stiglitz-Sen-Fitoussi report argues that we should “shift emphasis from measuring economic production to measuring people's well-being”. When analyzing people's welfare their disposable income is often used. But, is disposable income the most adequate proxy for people's welfare? Perhaps not, for example in Sweden approximately one third of the GNP is services of a “collective” nature. To be able to say something about people's welfare we ought to adjust their disposable income with their “amount” of collective expenditures. In Sweden it is possible to adjust people's disposable income using micro data on collective expenditures from Statistics Sweden. Hence, we are now better suited to describe people's welfare; we are also able to study how this will change the disposable income disparities with respect to gender, age, income groups, and education levels. This study will in fact show that the inequality in Sweden diminish when government expenditure are redistribute.