Economic Growth And Declining Social Welfare

Xenophon Euthymiou Zolotas

In 1972, Yale economists William Nordhaus and James Tobin introduced their Measure of Economic Welfare (MEW) as an alternative to crude GDP. It was at this time that the adverse environmental effects of uncontrolled economic growth began to be considered, prompting the search for a wider measure of welfare, not exclusively based on raw GDP figures. Nordhaus and Tobin. In 1972, Yale economists William Nordhaus and James Tobin introduced their Measure of Economic Welfare (MEW) as an alternative to crude GDP. MEW took national output as a starting point, but adjusted it to include an assessment of the value of leisure time and the amount of unpaid work in an economy, hence increasing the welfare value of GDP.
Economic growth from the perspective of well-being, distributive justice and planetary welfare, involves an evaluation of what it can deliver in terms of the quality of economic growth. Economic growth itself is impacted by natural, social, institutional and political capital, and distributional concerns are important to take on board for sustaining economic growth over the long run. Welfare is multidimensional and normative and encompasses values which are easily quantifiable as well as those which are not. The relationship between inequality and economic growth is relevant for understanding social progress. Addressing inequality through redistributive measures that result in tax distortions can suppress growth in terms of physical capital accumulation.