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Road beyond Economic Growth

Dr. (Mrs.) Harish

Associate Professor, Department of Economics, B.R. Ambedkar College, University of Delhi, India

ABSTRACT

This paper examines the scope of welfare beyond economic growth. Usually economic growth is typically expressed as a percentage rise in a country's GDP. But it doesn't show the overall development of a nation. Even per capita income fails to predict about the welfare of people in general. Whatever remains the means end is of course welfare of the people matters in any country. The overall welfare of people of a nation depends on many factors like employment, health and education facilities, women employment and empowerment.

Key Words: Economic Growth, , social welfare, etc.

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The "gross domestic product" is the most often used metric of a country's economic performance. GDP is "the total value of goods and services" generated inside a country's borders in a given year. Despite being "one of the most commonly" used tools for judging the status of an economy, it has several flaws. GDP is a poor measure of economic performance since it excludes a "number of critical elements" such as income disparity, environmental damage, and societal well-being. Non-economic elements such as social, educational, and health-related aspects are critical for judging overall success, but GDP ignores them. GDP provides only a partial picture of development since it focuses solely on economic output while ignoring human capital, social cohesion, and overall quality of life. Milanovic, 2016
GDP does not account for income inequality (Piketty, 2014). GDP growth does not guarantee that all of a country's citizens will benefit equally. GDP has recently come under question as a credible indicator of economic performance due to rising income disparity, a problem that affects both affluent and developing countries (Kapoor and Debroy, 2019). In numerous countries with high GDP growth rates, income distribution remains very unequal. Some economists say that using GDP as the primary indicator of economic success is risky since it might promote social unrest and expand income inequality.

Furthermore, according to Costanza et al. (2009), "GDP does not account for environmental damage" caused by economic expansion. A country's "GDP can rise dramatically" while simultaneously damaging its environment through deforestation.

Many frameworks and metrics have been proposed to address these shortcomings, including the Genuine Progress Indicator (GPI), Sustainable Development Goals (SDGs), and the "Human Development Index" (HDI). By combining social, environmental, and well-being factors with economic data, these frameworks provide a more comprehensive understanding of economic success (Anand and Sen, 1997).

Another component that GDP overlooks is social welfare (Diener et al., 2010). Rapid GDP expansion in an economy can occasionally correspond "with a fall" in social welfare, as seen by regional inequality, reduced life expectancy, and insufficient social services. Evaluating an economy must include an assessment of its residents' quality of life, as strong GDP growth without enhanced welfare is an unreliable sign of economic performance (Initiative B.L., 2011).

GDP growth estimates also "do not take into account unpaid labor, informal employment", or the shadow economy (Matthews, 1984). Many economies rely on unofficial labor, which is "not included in GDP" statistics. Jobs classified as "informal work" are unregulated, and earnings are not subject to taxes or social security deductions. The output of businesses in the unofficial sector, which can make up a substantial portion of the economy, is not included in the GDP.

Furthermore, because of the prevalence of the shadow economy, where economic activity are unreported, the GDP understates living standards (Stiglitz, Sen, and Fitoussi, 2009). Wealthy individuals may gain disproportionately from economic progress in some economies, leaving the poor behind and fueling social unrest. Non-market activities, such as unpaid home labor, volunteer work, and informal sector activities, which have a significant impact on society and well-being, can contribute to a misunderstanding of an economy's genuine performance.

GDP also ignores differences in purchasing power parity (PPP) between countries, which can have a substantial impact on judgments. The GDP of two countries can differ significantly due to “differences in the cost of living, but this difference does not necessarily” mean that the country with the lower GDP has a worse economy. Furthermore, the “quality of the goods and services” produced is not factored into GDP calculations.

An economy may increase output to enhance GDP, but if the “goods and services” are of poor quality, it indicates that “the economy is not contributing meaningfully” to economic growth or societal well-being. Furthermore, GDP “does not take into consideration technological progress and innovation”, which can have a considerable impact on productivity and growth in modern economies.

It is “crucial to know that stronger economic growth does not always imply higher levels of happiness” (Easterlin, 1974). According to the World Happiness Reports, India ranks lowest among its near neighbors, while having a higher GDP than some of them. This evidence supports the claim that GDP alone is an unreliable indicator of genuine economic performance.

Furthermore, because it is based entirely on financial transactions, GDP as an indicator excludes non-monetary economic contributions (Stiglitz, Sen, and Fitoussi, 2009). Family output, volunteer work, and government spending on arts, culture, and education at home are not included in GDP statistics. Incorporating these contributions into GDP calculations could provide a more complete picture of a country's economic success.

There have been questions raised about the accuracy of India's GDP statistics. The data estimation presupposes that the “unorganized sector will develop at the same rate as the organized sector, which has not been the case”, particularly since “demonetization and the epidemic” (Arun Kumar). According to a research conducted by former senior economic adviser Arvind Subramanian,” since 2011, there has been an exaggeration of approximately 2.5 percentage points annually” in India's GDP growth rate.

Recognizing these constraints, new measurements of economic success have emerged. Bhutan, for example, use Gross National Happiness (GNH) rather than GDP. Other economies, such as Finland, Iceland, Scotland, Wales, and New Zealand, have joined the "Wellbeing Economy Governments Partnership" to embrace alternative success indicators. The “World Health Organization” has also urged for happiness to be key to economic success, and the European Union has recognized the necessity for a transition to a happiness economy. These programs highlight how important it is to consider a range of measures and statistics in order to comprehend success that goes beyond GDP.

Finally, GDP should not be seen as the sole indicator of societal growth. It falls short of accounting for income inequality, environmental impact, social welfare, non-monetary contributions, product and service quality, innovation, and inequalities in purchasing power parity. While GDP provides useful economic data, its unsuccessful to provide a complete picture of an economy's performance. Policymakers and “academics should take into account alternative measurements and a more comprehensive approach” to evaluating economic performance, focusing on shared, inclusive, sustainable, and green growth, as suggested by several eminent economists.

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