

# Chapter 34

## New Indicators and Measurement Methods for Welfare in the Global Economy Era

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### ABSTRACT

*This study discusses the inadequacy of GDP alone as a measure of welfare in the global economic age and examines alternative welfare indicators and measurement methods. This study, which discusses the human development index (HDI), the inequality adjusted human development index (I-HDI), the gender inequality index (GII), the multidimensional poverty index (MPI), the social progress index (SPI), the happy planet index (HPI), the better life index (BLI), the Legatum prosperity index (LPI), the human capital index (HCI), and the ecological footprint (EF) methods, shares the country rankings of these methods and reveals the differences in the results depending on the method. It also draws attention to the differences between the economic size and welfare level by sharing the rankings of the world's 10 largest economies in alternative methods. In addition, the study examines the obstacles to the inability to establish a complete, precise, and generally accepted method of measuring welfare.*

### INTRODUCTION

Humanity has always been in an effort to become better in addition to maintaining its current situation in every period it has won the struggle to survive. This struggle of humanity to achieve the better has been discussed in every period as one of the important fields for economics, which focuses on meeting the demands and needs of individuals with scarce resources. At this point, starting with Adam Smith, economists have thought about how to use scarce resources in order to improve the situation of the individual and society. In this context, different approaches and schools, using concepts such as quality of

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life, well-being, subjective wellbeing, happiness, life satisfaction, have scrutinized the subject of welfare. Welfare has become one of the most important goals with industrialization, modernization, and the spread of capitalism, and has become one of the focal points for all economies, regardless of developed or developing countries. Especially in recent years, with the effect of globalization, determining the welfare level of individuals and societies, evaluating their change, and making international comparisons have become one of the hot topics of the theoretical and empirical literature.

One of the most fundamental goals of individuals and societies is to reach a good level of welfare and to maintain and increase this standard. Evaluating the effort and struggle given for this purpose is only possible by measuring welfare. At this point, GDP has been used as a welfare indicator and measurement method in measuring and comparing welfare for many years. It can be said that GDP has been generally accepted as an important indicator of welfare, especially since the 1960s. In other words, the level of welfare, whether it has changed, and how it is compared to other societies is expressed by GDP (GDP per capita). Even for many years, economic growth and wealth increase have been used as synonyms. However, especially towards the end of the 20th century, international organizations, universities, academics, and non-governmental organizations started to speak loudly that the GDP was not sufficient in measuring welfare and that new indicators and measurement methods should be found and used. It has been argued that economically developed countries may not be welfare countries, and individuals with high-income levels may not be prosperous, and it has been stated that besides economic performance, many other social indicators should be considered in the evaluation of welfare. At this point, different indicators and methods have emerged in the literature that takes into account factors such as environment, social structure, life satisfaction, security, housing quality, education, health, and personal freedom for the determination and evaluation of welfare.

The purpose of this book chapter is to discuss the inadequacy of GDP alone as a measure of welfare in the global economic era and to examine alternative welfare indicators and measurement methods. The study shares the country rankings of the alternative methods it deals with, revealing the differences in the results depending on the method. It also draws attention to the differences that arise between economic size and welfare by sharing the rankings of the world's ten largest economies in alternative methods. In addition, the study examines the obstacles to the inability to establish a complete, precise, and generally accepted method of measuring welfare. While contributing to the discussions in the literature by considering the alternative methods and their most up-to-date data together, the study becomes an important resource by examining the obstacles to establishing a complete, precise, and generally accepted welfare measurement method. In line with the purpose stated above, the study is structured in six sections. After this introduction, the subject of welfare is discussed in the second section. In the third section, the use and insufficiency of GDP in measuring welfare are discussed, the need for new indicators and measurement methods is emphasized. In the fourth section, alternative welfare assessment and measurement methods in the literature are shared and country evaluations are made with the most up-to-date data at the end of each method. In the fifth section, obstacles to introducing a generally accepted and used method of measuring welfare are discussed. In the sixth section, which is the last section, a general summary and evaluation are made and some suggestions are shared.

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