FOREWORD

The relationship between the consumption of goods and services and human well-being has been a long-standing subject of study, not only in the realm of economics but also among other disciplines. Within *Economic Growth and Social Welfare: Operationalising Normative Social Choice Theory*, this relationship is analysed through the operationalisation of normative social choice theory.

This book extends the methodology for studying economics and other development issues by adopting a multidisciplinary approach to operationalise normative social choice theory. This is a significant contribution to economic analysis. The authors deserve our congratulations for undertaking such a bold initiative and for succeeding so admirably.

A dominant view both within the literature and public policy is that economic growth enhances welfare. Thus, growth is seen as the key to development, since it is the best means to increase social welfare, which is a major development objective of most governments. Economic growth increases social welfare, typically by improving health outcomes, food intake and access to other basic needs.

Economic growth may be defined as the change in Gross Domestic Product (GDP) per capita between specified time periods. In the mainstream literature, GDP per capita is often used as a measure of social welfare. This basic assumption cements the conventional view that the relationship between economic growth (increases in GDP per capita) and social welfare is monotonic and positive. However, the costs of achieving economic growth are often not fully considered, and in this respect, welfare analysis of economic growth is limited within the existing literature.

The authors' use of a social choice approach to determine the desirability of economic growth is innovative and appropriate. Welfare economic analysis of economic growth based on normative social choice theory, seeks to include all costs and benefits of achieving economic growth, as well as a systems perspective of society. Application of normative social choice theory to welfare models is achieved by clarifying and incorporating social preferences and value judgments in the analysis. This process takes into consideration, policy preferences, underlying social structures, and evaluation through expert opinion or consensus. The social choice approach is justified as it provides an operational framework for quantifying, measuring and interpreting the effects of both objective and subjective elements of economic growth on social welfare.

This book focuses on Thailand as a representative developing economy. Over the last twenty-five years (1975-1999), this economy has experienced some of the world's highest and most consistent rates of growth. Thus, Thailand is an appropriate case study because it has become a role model for other developing countries to emulate – in terms of the remarkable levels of economic growth achieved.

Numerical and operational implementation of social choice theory to real life situations is limited within the literature. This book undertakes analysis of the Thai experience of economic growth and social welfare by operationalising normative social choice theory through two social welfare functions. The first such function is based on making certain adjustments to national income. This approach is grounded in previous work, such as the *Index of Sustainable Economic Welfare* and *Genuine Progress Indicator*. Adjustments are made for the positive and negative externalities arising from economic growth. The second welfare function is based on a society's ability to meet a hierarchy of people's needs, ranging from basic needs to a sense of esteem and belonging to "self-actualisation".

The volume concludes that social welfare *can* fall in years when real GDP per capita is rising. Furthermore, there has been a growing divergence between GDP and social welfare in Thailand over the twenty-five year period under study. The links between economic growth, globalisation and sustainability are also briefly considered. The authors rightly conclude that policy makers should expand their emphasis beyond promoting growth in GDP, to include policies that directly address income inequality, pollution, human dignity, relationships with the rest of the world, and advances in science and technology.

This readable book is a timely and valuable addition to the literature. This book should have wide appeal to a range of readers including policy-makers, academic researchers and advanced students in relevant disciplines such as economics, development studies, sociology and political science. Whilst focusing on Thailand, the results have wider implications for other developing and developed countries.

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