

Economics and Human Welfare

Essays in Honor of Tibor Scitovsky

Edited by
MICHAEL J. BOSKIN

***ECONOMIC THEORY, ECONOMETRICS,
AND MATHEMATICAL ECONOMICS***

ECONOMICS AND HUMAN WELFARE

Essays in Honor of Tibor Scitovsky

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Essays in Honor of Tibor Scitovsky

Edited by *MICHAEL J. BOSKIN*
Department of Economics
Stanford University
Stanford, California



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List of Contributors

Numbers in parentheses indicate the pages on which the authors' contributions begin.

MOSES ABRAMOVITZ (3), Department of Economics, Stanford University, Stanford, California 94305

KENNETH J. ARROW* (23), Project on Efficiency on Decision Making in Economic Systems, Harvard University, Cambridge, Massachusetts 02138

WILLIAM J. BAUMOL (41), Department of Economics, Princeton University, Princeton, New Jersey 08540, and New York University, New York, New York 10003

MICHAEL J. BOSKIN (219), Department of Economics, Stanford University, Stanford, California 94305

PAUL A. DAVID (59), Department of Economics, Stanford University, Stanford, California 94305

PHILIPPE R. DE VILLE (219), Department of Economics, Catholic University of Louvain, 1348 Louvain-Neuve, Belgium

H. ROBERT HELLER (233), Financial Studies Division, Research Department, International Monetary Fund, Washington, D.C. 20431

* Present address: Department of Economics, Stanford University, Stanford, California 94305.

- NICHOLAS KALDOR (273), Kings College, Cambridge University, Cambridge, United Kingdom
- BURTON H. KLEIN (293), Division of Humanities and Social Sciences, California Institute of Technology, Pasadena, California 91109
- JÁNOS KORNAI (75), Institute of Economics, Hungarian Academy of Sciences, Budapest V, Hungary
- MORDECAI KURZ (101), Department of Economics, Stanford University, Stanford, California 94305
- I. M. D. LITTLE (125), Nuffield College, Oxford OX1 1NF, United Kingdom
- RONALD I. MCKINNON (249), Department of Economics, Stanford University, Stanford, California 94305
- JOHN H. POWER (321), Department of Economics, University of Hawaii at Monoa, Honolulu, Hawaii 96822
- M. W. REDER (133), Graduate School of Business, University of Chicago, Chicago, Illinois 60637
- WALTER S. SALANT (147), The Brookings Institution, Washington, D.C. 20036
- M. FG. SCOTT (163), Nuffield College, Oxford OX1 1NF, United Kingdom
- AMARTYA SEN (183), Oxford University, Oxford OX1 1NF, United Kingdom
- J. E. STIGLITZ* (203), Department of Economics, Stanford University, Stanford, California 94305
- LORIE TARSHIS (361), Scarborough College, West Hill, Ontario, Canada
- PAUL WELLS (393), Department of Economics, University of Illinois, Urbana, Illinois 61801

* Present address: Department of Economics, Princeton University, Princeton, New Jersey 08540.

Preface

Tibor Scitovsky's scholarly work has spanned virtually all of economics. Tibor himself has influenced economists of several generations and many nations. From his earliest papers on welfare economics and the Pigou effect through numerous articles and books on international trade, economic development, and welfare economics to his recent research on the very boundaries of economics and its sister social sciences, his work combines the highest professional standards with a rare originality. The essays that follow, by some of his colleagues, students, and friends, were presented to Tibor in honor of his sixty-fifth birthday. We hope that they not only display that very special affection we all feel for him but live up to the high standards he himself has set.

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PART I

**WELFARE ECONOMICS AND
MICROECONOMIC THEORY**

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Economic Growth and Its Discontents

*Moses Abramovitz**

1. The Growing Disenchantment with Economic Growth

Economic growth, whether called by that name or not, has been the prime goal of economic policy for a long time, and it has also been the prime criterion for judging the success of the economic performance of a country. The economists' rationale for this fact is, at least in rough terms, easily understood and briefly stated. National product per head is held to be the objective, measurable counterpart of economic welfare, which

* This paper was originally prepared as a public lecture at the University of Edinburgh and read there on 11 May 1975. It may be particularly appropriate for inclusion in the present volume because it is in good part an elaboration of a question raised and briefly answered by Scitovsky in the course of his important Kinley Lecture (1973) as well as in his later book, *The Joyless Economy* (1976). The present paper also returns to themes taken up in an earlier paper (Abramovitz, 1959). See also footnote 1.

means that part of our total state of satisfaction or happiness which depends on economic activity. Barring changes in income distribution, therefore, an increase in national product per head is supposed to mean an increase in economic welfare. According to the standard doctrine, it does not necessarily mean an increase in people's total welfare. Changes in technology and the modes of production may so alter the character of life as to offset the benefits of greater flows of material things. Economists have relied, however, on a practical judgment, namely, that a change in economic welfare implies a change in total welfare in the same direction, if not in the same degree. Pigou, the founder of welfare economics, said it, and certainly it has been widely believed that having more goods ought to do us *some* good. In addition, it was plausible to think that growing command over goods would also lead people to a more cultivated existence and that that would be conducive to happiness. Not only that, growth of total output seemed to be the most dependable and acceptable means of lifting people out of gross poverty. For poor countries, it is clearly the only way. For rich countries, it seemed the only way that also would avoid political tension and social conflict.

In the years since the World War II, the especially intense interest in growth rested on that basic outlook, but it was strengthened by other, rather special considerations. In many European countries, there had been a serious check to growth since 1913, that is, for over 30 years. Since in those countries it was widely realized that the gap between their incomes and that in the United States was far wider than could be justified by any difference in technological capability or in the skills of the population or in experience with commercial, industrial, or government organization and practice, there was a natural determination to reduce the income gap rapidly. In the Soviet Union, besides the spur of great poverty, there was also the reigning social doctrine which held that the advance to a true communist regime was dependent on the achievement of much higher levels of output. In the former colonial territories, power passed to nationalist governments who regarded industrial and agricultural development as conditions for establishing their new states on stable foundations. Between the Soviet Union and the United States, there were the rivalries of the cold war. In all private enterprise and mixed economies, the experience of the Great Depression had made the avoidance of unemployment a minimum aim. Everyone could see, or thought they could see, the connections between output growth and the provision of jobs. In the United States, finally, there was the special problem of the Blacks. The dominant opinion was that it would be far easier to overcome discrimination and so to promote social harmony in an atmosphere of growth and full employment than in a more nearly stationary economy.