After World War II, the Japanese and Chinese economies have both seen rapid changes and remarkable progress. Various differences existed between the two countries, however, the Japanese experiences provide some valuable lessons for China to enable it to cope with the more unwelcome downside effects and distortions brought about by rapid industrial change. The paper is organized as follows. First, historical changes in the Japanese post-war economy are examined from various aspects. Second, the paper explains, by showing the positive and gloomy results of economic growth, why economic growth does not always lead directly to the improvement of household living conditions. The results for China are more or less similar to those of Japan; however, a striking contrast is income distribution and social security. Third, the paper investigates some of the causes why economic growth does not always mean the improvement of living standards: that is, the weaknesses of the conventional aggregate of GDP and social imbalance. Fourth, to cope with the categorical and measurement weaknesses of national income, some welfare measurements have been proposed. The paper considers the use of NNW (Net National Welfare) and other measurements of happiness, investigating their properties. Finally, the paper briefly outlines a proposal for a basic design towards a high satisfaction level society, which includes the discussion of social balance. That is the high quality of life in the mature society in the direction of which policy should lead. This issue is raised in connection with the economic position of China at present and where its future progress will follow.
1. Introduction

Some 60 years have passed since the end of World War II. During this period, the Japanese and Chinese economies have both seen rapid changes and remarkable progress. What kinds of changes have been experienced in those years? In what sense can it be said that real progress in living standards has been made? What lessons can be drawn for China from the experiences of neighboring economies such as Japan that were once equally fast growing? These questions are explored in more detail of this paper.

Firstly, we show a well-known fact that the GDP growth does not always mean that of economic welfare, and theoretically explain the reason as the weakness of the current GDP concept that reflects market failures, conceptual distortions or limitations, and social imbalance. Secondly, we follow up some improvements of welfare measurement, and present the high quality of life in the mature society in the direction of which policy should lead.

This paper is organized as follows. The next section briefly sketches historical changes of the Japanese economy by statistical data. Section 3 deals with positive and negative results of the economic growth, particularly those of the Japanese rapid growth period, comparing with the Chinese case in brief. Section 4 deals with the weakness of the GDP concept based on the market–oriented economy and its improvement towards welfare-oriented society. The final section refers to the high quality of life in the mature society as a concluding remark.

2. Historical Changes of the Japanese Economy

Economic growth The Japanese post-war economy is roughly classified by the average growth rate into four periods: recovery (1946-50), rapid growth (1950-73, 9.3%), moderate growth (1975-91, 4.0%), and stagnation periods (1992-03, 1.0%) (annual average growth rate in parentheses). We observe a serious matter or a shock at the turning point that made a great change of the growth rate: the Korean War (June 1950), the first oil shock (October 1973), and bursting the bubble in early 1990s (Figure 2-1).

![Figure 2-1 Economic Growth](image-url)

**Income distribution** Japan has several kinds of Gini coefficients of income distribution; however, they mostly show the similar trend. Figure 2-2 shows two kinds of Japanese Gini coefficients, which are the highest and the lowest groups. Major differences are caused by the different coverage of the data. They showed an equalizing trend in 1960s, in particular Gini (1) strongly, and since 1980s gradually deteriorating up to now. International comparison of income distribution is difficult, and the result is divided by which datum is used for comparison. Cabinet Office, GOJ (2006, p.315) shows that the (equivalence-based) Gini coefficient of Japan is slightly higher than the average of the OECD member nations.

![Figure 2-2 Gini Coefficients](image)

**Note:** Gini (1) is workers’ households (with two persons and over), and includes payment of public pension however, excludes insurance benefit and retirement payment. Gini (2) is all types of Households (including one-person households). Gini (2) (before redistribution of income) includes insurance benefit and retirement payment, but excludes payment of public pension.

**Source:** Cabinet Office (2006, p.271) for Gini (1) obtained from *Family Income and Expenditure Survey*. MHWL (-2002, Table 2 or 3) for Gini (2).

**Structural changes** Table 2-1 shows well known phenomena the so-called Petty-Clark Law. Economic development is the process of the structural change, meaning the shift of the major industry from the primary to the secondary, and then to the tertiary. We observe a sharp contraction of the primary industry and a great expansion of the tertiary industry in both production and labour force. We also observe a sharp contraction of the self-employed, and family workers, and a great expansion of employees. All of these structural changes of Japan were significant during the rapid growth period (1950-73).
Table 2-1  Structural Changes of Production and Labour Force

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Production by industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td></td>
<td>22.9</td>
<td>13.1</td>
<td>6.1</td>
<td>5.5</td>
<td>2.5</td>
<td>1.8</td>
</tr>
<tr>
<td>Secondary</td>
<td></td>
<td>30.7</td>
<td>41.7</td>
<td>44.5</td>
<td>40.4</td>
<td>36.6</td>
<td>27.4</td>
</tr>
<tr>
<td>Tertiary</td>
<td></td>
<td>45.6</td>
<td>47.4</td>
<td>52.6</td>
<td>58.2</td>
<td>64.0</td>
<td>74.5</td>
</tr>
<tr>
<td>Labor force by industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td></td>
<td>48.4</td>
<td>32.7</td>
<td>19.3</td>
<td>13.8</td>
<td>7.1</td>
<td>5.1</td>
</tr>
<tr>
<td>Secondary</td>
<td></td>
<td>21.4</td>
<td>29.1</td>
<td>34.0</td>
<td>34.1</td>
<td>33.3</td>
<td>25.9</td>
</tr>
<tr>
<td>Tertiary</td>
<td></td>
<td>30.2</td>
<td>38.2</td>
<td>46.6</td>
<td>51.8</td>
<td>59.0</td>
<td>67.3</td>
</tr>
<tr>
<td>LF by status in employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td>40.0</td>
<td>53.4</td>
<td>65.0</td>
<td>69.9</td>
<td>78.8</td>
<td>84.8</td>
</tr>
<tr>
<td>Self-employed</td>
<td></td>
<td>27.5 (15.7)</td>
<td>22.7 (10.3)</td>
<td>19.2 (7.1)</td>
<td>18.6 (5.8)</td>
<td>16.4 (2.9)</td>
<td>10.2 (2.0)</td>
</tr>
<tr>
<td>Family workers</td>
<td></td>
<td>32.5 (25.6)</td>
<td>23.9 (16.3)</td>
<td>15.8 (8.9)</td>
<td>12.0 (5.5)</td>
<td>7.6 (2.7)</td>
<td>4.4 (1.5)</td>
</tr>
</tbody>
</table>

Note and sources: 1) GDP by major industry at current prices. Percentages are before the tax adjustment. Therefore, the total average for 1955-2004 is 103.5. (Source: Department of National Account, ESRI, CAO (-2006)).
2) 2005 data follow the revision of the Japan Standard Industry Classification. (Sources: SB of MIAC, 2005). 3) The value in parentheses shows those of agriculture. (Sources: SB of MIAC, 2006).

3. Results of the Rapid Economic Growth

3.1. Positive effects

General economic results Economic growth is generally measured by the growth rate of GDP (previously of GNP). The obvious economic result was an increase of GDP, to which the high growth rate of productivity largely contributed. The rapid economic growth caused high income and the low rate of unemployment (Table 3-1).

Table 3-1 Some Results of the Economic Growth (1955-73)

<table>
<thead>
<tr>
<th>Year</th>
<th>Increase ratio of 1973 to 1955</th>
<th>Annual growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>GDP (real)</td>
<td>4.3</td>
</tr>
<tr>
<td></td>
<td>Per capita GDP (real)</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td>(nominal)</td>
<td>94($261)</td>
</tr>
<tr>
<td></td>
<td>Real wages (employees)</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>Money wages (employees)</td>
<td>194($540)</td>
</tr>
<tr>
<td></td>
<td>Labour productivity</td>
<td>3.3</td>
</tr>
<tr>
<td></td>
<td>of which manufacturing</td>
<td>3.4</td>
</tr>
<tr>
<td></td>
<td>Unemployment rate (%)</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>Note: Real values are at market prices in calendar year of 1990. Real wages are deflated by CPI index (1990=100). Per capita GDP (nominal) and wages are in thousands of yen. Sources: Japan Statistical Association (2006), Vol.1, 3-3-a, 3-4, 3-6 and key statistics, p.84; Vol.4, 19-4 and 19-8-a. SB of MIAC (1991), p.44; 1987, p.46.</td>
<td></td>
</tr>
</tbody>
</table>

Material standard of living and class-consciousness Because of income growth, people could afford new durable consumer’s goods, which made the living better and more convenient. They considered three durable consumer’s goods as their status symbol in 1960s: washer, refrigerator, and black and white TV set. These spreading rates attained around 90 percent in 1970. They found another set of three status symbols in 1970s (car,
room A.C. and color TV set) (ESRI of CAO, -2006). Reflecting these circumstances, about 90 percent of the Japanese respondents identified that they belonged to the middle class at the end of the rapid growth period. The middle class-consciousness greatly increased from 72.4 (1958) to 90.2 percent (1973) and the low class decreased from 17.0 to 5.5 percent (GIOMS of CAO, 2006, Fig. 45).

**Social security** For the livelihood protection, the protection level increased from 39.1 (1955) to 60.9 percent (1975), and assisted Numbers per 1000 persons decreased from 21.6 to 12.1. Both the National Health Insurance and the State Pension for the self-employed started in 1961, meaning the start of the respective universal system in Japan. These systems had already existed for employees of the company and public services. As a result, the coverage of medical insurance increased from 68.6 (1955) to over 99 percent (1970) and pension’s ‘benefits ratio to annual male income’ (model case) increased from 25.1 (1961) to 61.8 percent (1973) (Table 3-2).

### Table 3-2 Livelihood Protection, Medical Care Insurance, and Pension

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Average amount assisted per person</th>
<th>Assisted numbers (per 1,000 persons)</th>
<th>Persons assisted (in 10,000)</th>
<th>Coverage of medical care insurance (%)</th>
<th>Pension benefits ratio to annual income (%)</th>
<th>Insurance rate (pension) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>38.0</td>
<td>17.4</td>
<td>163</td>
<td>94.7</td>
<td>(1973) 61.8</td>
<td>(1973) 7.6</td>
</tr>
<tr>
<td>1965</td>
<td>50.2</td>
<td>16.3</td>
<td>160</td>
<td>98.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>54.1</td>
<td>13.0</td>
<td>134</td>
<td>99.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1975</td>
<td>60.9</td>
<td>12.1</td>
<td>135</td>
<td>99.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>12.2</td>
<td>143</td>
<td>143</td>
<td>88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>11.8</td>
<td>134</td>
<td>134</td>
<td>88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>8.2</td>
<td>101</td>
<td>101</td>
<td>7.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>7.0</td>
<td>88</td>
<td>88</td>
<td>88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>8.4</td>
<td>107</td>
<td>107</td>
<td>8.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>11.1</td>
<td>142</td>
<td>142</td>
<td>8.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
1) Amount assisted per person/ per capita income of Workers’ Households (Tokyo Metropolis).
2) Model pension benefit/average income (male)’ for a couple (employee).
3) Split half between labor and management.


**Infrastructure** Infrastructures were dual. Many infrastructures were rapidly improved during the rapid economic growth period; however, infrastructures lagged behind production capital, causing social imbalance.

### 3.2. Negative effects or distortions

**Social imbalance** Galbraith (1998, p.189) defines social balance as “a satisfactory relationship between the supply of privately produced goods and services and those of the state,” and mentions, “The inherent tendency will always be for public services to fall behind private production” (p.185). This brought social imbalance, in particular seriously during the rapid economic growth period (Figure 3-1).
Prime Minister Ikeda adapted “National Income Doubling Plan” (1960), which was an epoch in Japan as the first case of introduction of the infrastructure into the policy terminology. The plan recognized that: (a) the social imbalance causes a bottleneck in economic growth, which should be dissolved by the improvement of industrial infrastructures; (b) capital improvement is needed for living infrastructures to improve national living, and (c) the improvement of infrastructure increases economic growth (Kanamori et al., 1981, pp.1097-98). Since then, the Japanese economic plan has set the goal of the infrastructure improvement by sector, which has greatly contributed to its improvement. During the rapid economic growth period, however, social imbalance became greater, causing congestion particularly in Metropolitan areas.

Concentration to Metropolitan areas During the rapid growth period, there was a great population movement from the rural depopulated to Metropolitan areas (Figure 3-2). As a result, overpopulated Metropolitan areas had various problems: high living costs, housing problems, pollution, congestion, etc. Big events such as the Tokyo Olympic (1964) and the Osaka Exposition (1970) partly solved these problems. Restoring the social balance may be a question of adjustment between the private wants and public needs, which is at the same time a question of distribution of the result of the economic growth.

On the other hand, the young generation moved out from depopulated areas, and aged people remained. The government put the Act on Special Measures for Depopulated Areas in force twice as the 10-year limited legislation (1970, 1980), and planned to spend huge amount of money on those areas (a total of 27.9 trillion yen (110.1 billion dollars)). There were considerable material improvements and the population outflow slowed down; however, some problems of those areas remained.
Environmental disruption  Environmental disruption was one of the worst results of the rapid economic growth period. People ironically called that GNP stood for Gross National Pollution. The outstanding features of the environmental disruption process were: (a) an extremely rapid expansion of heavy and chemical industries that were boom in mass consumption market, notably private cars. All of these caused woeful lags in the provision of complimentary social overhead capital (roads, housing, sewerage system, etc.) (See Tsuru, 1993, p.131). The numbers of claims to pollution greatly increased from 20,502 (1966) to 87,764 (1972, the peak until 2000) (the same source as in Figure 3-3).

During the rapid economic growth period, Japan had four symbolic examples of pollution (see Tsuru, 1993, p.133): three disease cases of mercury or cadmium poisoning and the respiratory ailments case. In middle 1950s, the official pollution report of those appeared or complaints to pollution reached the local government, and the pollution victims greatly increased. The government belatedly enacted the Basic Law for Environmental Pollution Control (July 1967). The law underwent an important revision (1970), that is, striking off “the Harmony Clause” with sound economic development. Then, the government established the Environment Agency (July 1971, later raised in status as the Ministry of the Environment) to deal with the environment matter. Compared with other advanced countries, stricter standards were set for air quality and automobile exhaust (see Tsuru, 1993, table 5.4). Anti-pollution investment in the total expenditure on plant and equipment by private enterprises in percentage were: 3.0 (1965), 5.0 (1969), 8.6 (1972), and 18.6 (1975) (ibid., p.137). As a result, major claims to pollution greatly decreased since the past peak (1972) (Figure 3-3).

Inflation  Japan suffered from the high rate of inflation (CPI, consumer price index) during the period from 1960s to early 1980s. Two pikes of the inflation were caused by the respective oil shock in 1973 and 1979. Inflation was more or less a cost of high
economic growth during that period: the annual average rate of increase (%) was 5.6 (1962-72), 15.5 (1973-75), and 6.3 (1976-81) (CAO of GOJ, 2006, p. 444). In general, gainers were assets holders and borrowers, and losers were creditors. Under the high inflation period, despite of the high economic growth, non-beneficially groups remained in the society: the aged, non-working head, and mother and children families. They were major groups of recipients of the government assistance.

![Figure 3-3](image)

Source: Environmental Dispute Coordination Committee, 1999, Tables 1-4-2 and 1-4-3; 2006, Tables 2-4-2, 2-4-3, and 2-4-4. (Figure made by the author).

3.3. Chinese case in brief compared with Japan

**Similar economic experiences** China has been marvelous economic growth since 1979. As a result, material standard of living improved, in particular urban areas. Some infrastructures have also developed, but there has been social imbalance, causing congestion problems in Metropolitan areas and serious environment disruption.

**Dissimilar economic experiences** During the rapid growth period, the Japanese social security improved and mostly completed; however, Chinese social security has been deteriorated and under the establishing or improving plans. Huge population was relieved from the absolute poverty, below which population decreased from 53 (1981) to 8 percent (2001). Japanese income distribution improved; however, it has been deteriorated in China in various levels between urban and rural areas, and within each of areas. See Ravallion and Chen (2004) for China.

**Differences at the starting point and of foreign direct investment (FDI) policy** The background between China and Japan was different in terms of globalization effect, information technology, and energy prices. Before the start of rapid economic growth, Japan was democratized by reforming system infrastructures that conformed to capitalist economy: land, labour, and tax reforms, and anti-trust measures (zaibatsu dissolution). China has been the transition period from the socialist to the socialist market economy.
and the system infrastructure must be changed to fit for the market economy, which may demand time. China positively attracted FDI but for Japan, it was strictly controlled.

4. From the GNP-focused “Growthmanship” to Welfare-oriented Society

4.1. Market failures, conceptual distortions (or limitations), and social imbalance

Market failures in the measurement of GNP  As we observed results of the economic growth in the last section, to equate the growth of GDP (also applied to GNP) with that of economic welfare became seriously questioned. We explore the reason. Tsuru (1992, p. 141) explains the concept of GNP as that “is predicated on the exchange of goods in the market, and is intended to cover these goods and services that are exchanged in the market.” “As a corollary to this, it may be added that the unit of measurement of GNP is money value as registered in the market.” In this section, we use the conventional term GNP in those days.

Tsuru mentions market failures in the measurement of GNP in brief as follows (ibid., pp.141-2). The measurement of GNP is based on the following three italicized assumptions; however, all of these are actually questionable. First, **external effects, either negative or positive, are unimportant**, whereas negative external effects such as pollution are often serious enough. Second, **the condition of consumer sovereignty is obtained**; however, manufacturers often make the market and we often observe the demonstration and the dependent effects. Third, **the failure of the reward system, for whatever reason, is of little consequence**, whereas the discriminating bias, in particular inheritance gives a great fortune to a select group of persons independently of their own efforts. We may call these as theoretical and factual failures in the measurement of GNP. If these market failures are considered significant, a longer-range association between the size of GNP and the magnitude of economic welfare could not be predicated.

**Distortions or limitations of the GNP concept viewed from the welfare point**  First, the unit of measurement of GNP is the money value registered in the market, so that non-market activities such as the quality of consumer goods, housekeeping work, and voluntary activities are excluded. These are important from the welfare viewpoint. On the other hand, all market activities are included in GNP; hence, non-welfare components (negative external effects, real estate transactions, and military products, etc.) are included. Second, GNP is not a stock but a flow category, which has no direct relationship with asset holding. From the quality of life viewpoint, actual conditions of asset holdings are important. Third, GNP has no direct relationship with the degree of equality of income distribution, and the level of social security. These may have a significant relationship to the satisfaction level of the people in the society.

**Social imbalance**  Social imbalance is apt to be serious, in particular during the rapid economic growth period, causing and intensifying negative results or distortions of the economic growth. Even if the market mechanism functions properly, the market itself cannot determine resource allocation between public services and private production that attains social balance. This is the reason that the government role is important to weaken or avoid social maladies caused by social imbalance. Therefore, the question of social balance may lead to the question of public choice and the size of government. Some infrastructures (schools, hospitals, railways, communications, housing, etc) could be also developed by the private sector, in particular in the developed economy. This matter
relates to the intrinsic question between the efficiency of resource allocation and justice. Actual policies are carried out by the nation’s choice.

4.2. Towards a welfare measurement

*NNW (Net National Welfare) and the questions* To cope with distortions or limitations of the GNP concept viewed from the welfare point, NNW index was constructed by revising GNP: that is, subtracting non-welfare components above-mentioned from GNP; adding welfare related non-market activities by monetary assessment to GNP. They also add services of most of the living infrastructures and durable consumer’s goods, and deduct the cost of justice, police, fire defense, and general administration. This index signifies the welfare level better than that of GNP. See Nordhaus and Tobin (1972), and NNW Development Committee (1973) for the detail.

Some questions of NNW are raised. First is about value judgment. Who is the judge of the welfare significance of any particular goods and services? Second is how we assess the value of non-market activities, which may raise some delicate arguments. Third, most of assessed non-market activities do not consist of effective demand. The last point has a serious weakness if we want to use this NNW concept for macroeconomic policy. Because assessed non-market activities are watered or fictional values that are not based on money related real transaction. According to an estimate of Japan by the NNW Development Committee (1973, p.14), the ratio of NNW to NDP (excluding net investment) gradually decreased: 1.15 (1955), 1.07(1960), 1.02(1965), and 0.92(1970). For the USA, per capita NNP (real) increased by a factor of two during the period from 1950 to late 1980s; however, per capita NEW (Net Economic Welfare, the same sort of NNW) increased approximately only by a factor of one point five. The gaps between these two per capita categories became wider. (Samuelson and Nordhaus, 1989, Fig. 6-3).

*GNP and NNW should be complimentary* NNW index is a step forward measurement for welfare, but it has a weakness for policy judgment in particular for the macroeconomic policy. GNP is a still important source for policy judgment and NNW is useful for assessing economic results in terms of welfare. Therefore, these two categories are complementary, not a question of one or the other.

4.3. Further development

NNW is a revised category of GNP, aiming at a part of improvement of distortions of the GNP concept viewed from the welfare point. Therefore, this category still shares the remaining weaknesses with those of GNP. If we consider the measurement of total welfare, we need to consider a more general and broader aspect. In line with this, there has been a glowing literature during these three decades. Further step forward developments are the Genuine Progress Indicator (GPI), the measurement of happiness and social indicators.\(^1\) We should note, however, that these directions mean departing further from a macroeconomic applicability of the national account category.

\(^1\) Most of the OECD member nations grappled with making social indicators to measure the real quality of living life that could not value in monetary terms in 1970s and 1980s. In Japan, the Economic Planning agency had developed and released Social Indicators (1974-85), New Social Indicators (1986-91), then, Peoples Life Indicators (1992-99). Social Indicators were also developed on the prefecture level of Japan. (See Quality-of-Life Policy Bureau, 1989, pp.100-3).
The GPI  Figure 4-1 shows the per capita $GPI^2$ and the per capita $GDP$ in the USA (1950-2004). The per capita $GDP$ was steadily increasing; however, the per capita $GPI$ was growing until middle 1970s, and then stagnating. The gaps between these indicators have been wider and wider after middle 1970s. A similar example is observed for the UK (see Jackson, et al., 1997). The figure may suggest what more important is in the society. We will not have a more satisfied society unless we consider other values rather than growth of income.

![Figure 4-1](image)

Source: Talberth, et al. (2007), Fig. 3.

Happiness research  The measurement of happiness has presented a couple of important findings, which may suggest important things. Reported subjective well-being seems to rise with income; however, once a threshold ($GNP$ per capita in $ppp$ 1995 around US$10,000) is reached, the average income level in a country has little effect on average subjective well-being. See Frey and Stutzer, 2002, Figure 4 based on the data in 51 countries. This suggests that for the living satisfaction the threshold income US10, 000 dollars, may be critical. “The bigger income the better living satisfaction thinking” is not necessary to seek for a more satisfied society.

Research for 49 countries in the 1980s and 1990s suggests that there are substantial well-being benefits from institutional factors. The data show that “the effects flowing directly from the quality of institutions are often much larger than those that flow through productivity and economic growth (John Helliwell 2001)” (ibid. pp.402-3). This means that institutional conditions such as the quality of governance and the size of social capital have important effects on individual well-being.

5. Towards a Quality of Life in the Mature Society

$GPI$ (or the sustainable economic welfare index) is constructed by incorporating various aspects of economic well-being that are either ignored or treated incorrectly in the estimates of $GDP$, among which omitted large realms are contributions of family and community, and of the natural environment.
What can we learned through these analyses? Economic growth is important in general, in particular to a certain per capita income level. After that, economic growth may be needed but what is more important is improving their living satisfaction level. As far as economic growth is expressed by the current GDP, we should recognize the distortions or limitations of this concept. The government policies taken against market failures and for social balance may contribute to increase the GPI, making narrow the gap between the GPI and the GDP.

Towards a satisfied society, we need a systemic design: that is the quality of life in the mature society. The mature society is a society that has attained such a high level of income, which can afford healthy, satisfied, and cultural lives to human beings. Most of the OECD member countries are in this society whose per capita GDP in terms of ppp (purchasing power parity) exceeds US 10,000 dollars.

The quality of life in the mature society is a welfare-oriented society, which has three important properties. First is the safety net. The net is not only relieves the economically disadvantaged people but also prevents the market failure and smoothly promotes the market economy. The government serves a major function of this net, but the company and the household serve part of the function. The safety net has a possibility to cause “a moral hazard,” which means abusing the system and having a benefit: that is easy dole dependence, tax evasion, and excessive medical treatment under the health insurance. Second is a safe society, meaning low crime rate, pollution free, low traffic accident rate, safety foods, etc. Third is keeping social balance. The government should support all of these factors.

The most important background to bring this ideal society may be education in a broad sense that includes social, family and school education. Because the living satisfaction level highly depends on an individual desire, and this desire is endless without a moderate sense of life, which may relates to the philosophy of life or the way of life. However, the market power in the capitalism is strong enough and brings structural changes of the economy, causing frictions in the society. The countermeasure for the drawback of the market economy is apt to lag behind greatly when people put a top priority on economic growth.

Under welfare-oriented society, people seek happiness: that is, worth living under shorter working hours. People may shift down from excessive consumption to a less consuming prudent life but with satisfaction, and make an effort for healthy life and perhaps longevity. However, this individual effort is not always easy, for our desire is formed by various factors: cultural tradition, the life style, religion, institutional property, and so on. The key to have a satisfied life is how to control your aspirations.

Data Sources and References

Data sources


References


