

Is a country truly wealthy if it has a high GDP but its citizens are unhappy?

An evaluative short essay by Olivia Jackson, exploring whether economic output can truly capture a nation's prosperity and wellbeing.

Wealth can be understood in multiple ways: as the accumulation of income and assets, as access to desirable goods and services, or more broadly as overall wellbeing. The weight placed on each of these definitions fundamentally shapes how national prosperity is judged. While GDP effectively measures aggregate output, it is an incomplete proxy for wealth, as it fails to account for distributional inequalities and non-market determinants of utility. Ultimately, a country cannot be considered truly wealthy if economic output does not translate into the substantive freedoms and wellbeing of its citizens.

GDP remains an important indicator of economic prosperity, as it reflects a country's level of economic output and productive capacity. In 2023, global GDP exceeded \$100 trillion, highlighting its central role in economic analysis (World Bank, 2024). Higher GDP per capita can increase governments' capacity to fund public goods such as healthcare, education and infrastructure, all of which are essential to improving living standards. In this sense, economic growth can expand individuals' opportunities and enhance welfare. Amartya Sen's capability approach reinforces this, arguing that development should be measured by the real freedoms people enjoy. Economic resources are therefore an important foundation for enabling individuals to pursue lives they have reason to value. Without sufficient economic output, it is difficult for governments to provide the conditions required for human development, suggesting that GDP is a necessary, though not sufficient, component of national wealth.

However, GDP has significant limitations when applied as a measure of true wealth. Most notably, it does not account for how income is distributed, meaning high national output can coexist with substantial inequality, deprivation and poverty. GDP per capita, as an average, can mask wide disparities in living standards, leaving large segments of the population without access to basic goods and services. This problem is particularly acute where income follows a heavily right-skewed distribution: high incomes at the upper end of the distribution pull the mean upwards, meaning average measures may present a more prosperous outcome than the economic circumstances experienced by the typical citizen.

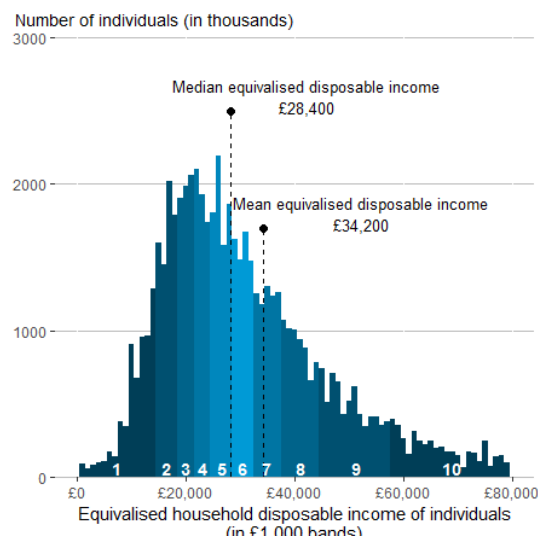


Figure 1: Distribution of UK household disposable income, illustrating the difference between mean and median income. Source: Office for National Statistics

This is evident in the United States, where GDP per capita exceeds \$75,000, yet the top 10% of households hold around 70% of total wealth (Federal Reserve, 2023). Such disparities have important implications for welfare, as income exhibits diminishing marginal utility: additional income yields progressively smaller increases in utility, particularly for those already affluent. As a result, a more unequal distribution of income may lead to lower overall societal wellbeing than a more equitable one, even at the same level of GDP. This highlights the extent to which aggregate wealth may fail to reflect lived reality.

Beyond distribution, GDP also ignores non-market factors that are central to wellbeing. Environmental degradation, for instance, may accompany economic growth but reduce quality of life through pollution and resource depletion. Similarly, GDP does not encapsulate social cohesion, job satisfaction, or mental health, all of which play a critical role in determining happiness. This limitation is reflected in the Easterlin Paradox, which suggests that increases in GDP do not necessarily lead to sustained increases in long-term happiness (Easterlin, 1974). While rising incomes may initially improve wellbeing, the marginal gains diminish as incomes rise, with relative income, social relationships and security becoming increasingly important determinants of utility. Indeed, despite substantial GDP growth, average life satisfaction in the United States has remained relatively stagnant over recent decades (World Happiness Report, 2024). This further supports the argument that GDP alone cannot capture the true wealth of a nation.

More fundamentally, economic wealth is of limited value if individuals lack basic political and social freedoms. Sen's capability approach emphasises that true development lies in expanding the real freedoms people enjoy, rather than merely increasing income. In authoritarian states, for example, citizens may experience relatively high incomes but simultaneously lack freedom of speech, political participation and autonomy. From a capability perspective, this represents a clear deficiency in wellbeing, as individuals are unable to live lives they have reason to value. This suggests that wealth should be understood not simply as material abundance, but as the extent to which individuals possess meaningful choice and agency.

In response to these limitations, alternative frameworks have been developed to provide a more comprehensive measure of national prosperity. The Human Development Index (HDI), for example, incorporates education and life expectancy alongside income, offering a broader perspective of development (UNDP, 2023). Similarly, Bhutan's concept of Gross National Happiness (GNH) prioritises wellbeing, sustainability and cultural preservation as primary factors over purely economic indicators. However, such alternatives are not without limitations. Measures of happiness are inherently subjective and difficult to quantify, making cross-country comparisons problematic. Furthermore, questions arise regarding how individual wellbeing should be aggregated, reflecting challenges similar to those found in utilitarian frameworks. As such, while these measures provide valuable insights, they do not offer a perfect substitute for GDP.

The distinction between economic growth and development further reinforces this argument. While growth refers to an increase in GDP, development encompasses broader improvements in living standards including healthcare, education, and equality. Crucially, the extent to which growth translates into development depends on how economic prosperity is distributed and used to improve living standards. Nordic countries, for example, combine high GDP with strong welfare systems and low inequality, consistently ranking among the highest in global happiness indices (World Happiness Report, 2024). In contrast, other countries may experience rapid

economic growth without corresponding improvements in living standards, illustrating that GDP alone does not guarantee prosperity. Economic growth is therefore best understood as a means to an end, rather than an end in itself.

In conclusion, while GDP is a valuable indicator of economic capacity and provides the means through which welfare can be improved, it is not a sufficient measure of true wealth. A country cannot be considered genuinely wealthy if its citizens lack wellbeing and fundamental freedoms. True wealth lies not in the level of economic output alone, but in how effectively that output is distributed and transformed into meaningful improvements in people's lives. A nation's prosperity should ultimately be judged not by the size of its economy, but by the quality of the lives its people are able to lead.

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