Introduction

It was on 19 March 1812, more than two centuries ago, that the Cortes of Cadiz proclaimed what was not only Spain's first constitution but the first basic law in the country to be passed by a parliament. Following other modern constitutions, particularly that of France, Article 13 (Section I, Chapter 3) reads as follows: «*The object of Governments is the welfare of nations; as is the happiness of the individuals who compose them, that of all political societies*». This exemplifies the idea that in modern, democratic systems the main reason why governments undertake particular policies should undoubtedly be to improve the «welfare» of citizens.

In this context it is essential to define just what «the welfare of citizens» means and to determine how it can be measured. Welfare is a complex, multifaceted, sometimes vague concept that depends on a great many individual and social factors. Many analysts choose to study it directly via surveys of subjective welfare (which can also be called «happiness»), based on advances in psychology which examine the factors that influence satisfaction with life (Diener, 1984). This approach is highly interesting, but its results are strongly conditioned by the social context and by the specific expectations of individuals in each society. This makes it hard to compare different societies, or indeed different periods within the same society.

To avoid such problems and above all to guide public sector policies in determining what aspects of welfare to prioritise, most analysts measure it indirectly by seeking to identify what is needed to live well and then assessing the extent to which each society makes it possible for its members to carry on a satisfactory life, given those key needs. The earliest publications in this context are the *Measure of Economic Welfare* by Nordhaus & Tobin (1972) and the multidimensional proposals by Morris (1978, 1979), which focus on the poorest members of society and bring together monetary indicators with measures of literacy, infant mortality and life expectancy in the *Physical Quality of Life Index*, seeking to measure the extent to which the poorest individuals benefit from economic growth.

In 1990 the UN's first Human Development Report (UNDP, 1990) proposed using gross GDP per capita and two other key aspects to measure the welfare and development of countries, health and education. The result was a three-dimensional indicator called the Human Development Index (HDI). There has been broad international consensus on this index ever since as regards measuring and comparing development in different countries. Income level is without doubt one of the most significant objective dimensions in determining welfare. It is a means for attaining a substantial part of the ultimate goal, which is to live well. Income distribution in society is also key because it reveals how likely each citizen is to have an income similar to the average for individuals in his/her immediate environment. This second factor has been overlooked for too long in the various proposals put forward for measuring social welfare.

Be that as it may, the last 20 years have seen a number of initiatives intended to improve the measuring of social welfare based on an even more multidimensional perspective than that of the HDI. An example from the turn of the 21st century is the Economic Welfare Index of Osberg & Sharpe (2002). Many other proposals along similar lines have also discussed incorporating other factors, both objective and subjective. Many of the dimensions that have considered are in line of the pioneering scheme set up in Bhutan. There, the notion of «gross national happiness» was introduced in the 1970s as an indicator of development and welfare in the country. It supplements the basic aspects of standard of living, health and education with six more dimensions of human welfare: good governance, time use, community vitality, culture, ecological diversity and psychological well-being.

In this same sense, in 2004 the OECD introduced its first *Measurement of Progress* initiative, now known as *Measuring Well-being and Progress* (https://www.oecd.org/wise/measuring-well-being-and-progress.htm). The organisation describes its purpose as follows: «*Societal progress […] requires looking not only at the functioning of the economic system but also at the diverse experiences and living conditions of people*». It therefore measures not just income (and wealth), health and education but also aspects such as job quality, housing, the environment, safety, work-life balance, social connections and civil engagement.

The European Union (EU) also launched an initiative called «beyond GDP» in the first decade of the 21st century, and in 2009 the French government commissioned a report on the matter from three academics who were leading experts in the field: Joseph E. Stiglitz, Amartya Sen and Jean Paul Fitoussi. This report was entitled *Report by the Commission on the Measurement of Economic Performance and Social Progress*. One of its main conclusions is that GDP does not give an accurate measurement of the quality of private goods or of the value of key public sector activities in education, health, justice, safety, etc. The commission also concluded that quality-of-life depended on both objective and subjective conditions, so welfare indicators needed to be improved in terms of how they measured health, education, personal activities and environmental conditions as well as social relations, capacity for political expression and insecurity, all of which are inextricably linked to life satisfaction. Finally, it also recommended looking at the distribution of both income and wealth on the one hand and consumerism in the population on the other, and factoring non-market activities into measurements of welfare, developing good surveys capable of building up real, aggregate indices of quality-of-life that also include environmental sustainability indicators.

The UN recently promoted a new consensus across more than 190 countries centred on 17 Sustainable Development Goals (SDGs) for 2030 (https://www.undp.org/es/sustainable-development-goals), which range from ending poverty and reducing inequalities to climate action, care for terrestrial ecosystems and responsible production and consumption.

In the specific context of the wealthiest, most highly developed countries, in 2011 the OECD launched an initiative called *Better Life* (https://www.oecdbetterlifeindex.org/es/) that includes indicators for income, health, education, housing, employment, community, environment, civil engagement, safety, work-life balance and satisfaction with life. Through its statistical office EUROSTAT, the EU now provides a set of *Quality of Life Indicators* that include aspects very similar to those proposed by the OECD and distributive elements based on an income deprivation aspect (poverty) plus further aspects which are significant for people living in wealthy countries, such as time use and the standard of transport infrastructures.

The monographic issue presented here comprises 11 studies (nine articles and two practical case studies specific to the Basque Country) which analyse inclusive growth from various perspectives. The first block looks at the difficulties of measuring economic and social welfare in developed societies and sets out various methods that could enable key aspects to be incorporated, such as environmental sustainability and interpersonal inequalities. This would make it possible to construct more comprehensive indicators of what can be seen as «societal progress». The second block of articles looks at the changing relationship between economic growth, distribution and social welfare. It starts by analysing macroeconomic links and then looks in more depth at the roles of productivity, wage and income inequality and the increasing significance of wealth based on its increasingly unequal accumulation in certain groups in society over the past few decades.

The issue opens with an article by **Antonio Villar** that reviews the literature assessing social welfare and its links with the basic concept of individual utility in economics. This underpins theoretical concepts which are key for measuring welfare, such as the functions of social welfare. To that end, the author breaks down the difficulties encountered in constructing such a function on the basis of individual assessments, and looks at the possibilities that open up when a social assessment function is set up directly based on a set of social options. On the basis of these two concepts, the author presents four interesting empirical applications in different fields that enable more in-depth analyses to be conducted of wealth distribution (inequality and poverty) and social assessment in unemployment and human development indices.

The next two articles in the first block look at how to tackle potential improvements in conventional indicators of economic and social development in the sense of incorporating environmental sustainability and adaptation in regard to local environments. The first of them is by **Éloi Laurent**, who proposes factoring environmental sustainability into the measuring of human welfare and sets out three key social and environmental policies to be developed. He argues that economic growth is not in fact a core element in supporting social policies, and that collective protection policies are needed, given that environmental crises entail social risks that threaten lives and subsistence all over the world, especially among the most vulnerable. The ecological transition therefore calls to some extent for three key policies: progressive environmental taxation based on wealth and CO2 consumption levels, the funding of the transition via savings in social expenditure based on ambitious environmental policies and, finally, the construction of a sound social and environmental protection system, funded initially via the subsidies removed from fossil fuels.

The next article is by **Jon Olaskoaga**, **Ana Fernández** and **Auxkin Galarraga**. They propose a compound index for measuring social welfare in the municipalities of the Basque Autonomous Community. The metrics used permit both transversal comparisons (between municipalities) and longitudinal comparisons (between different periods of time). Based on this proposal, the authors draw up a classification of the population of the Basque Country based on the welfare levels of their home municipalities. They conclude that in spite of the effects of the crisis, welfare levels in the Basque Country seem to have increased from 2001 to 2020, with convergence between Basque municipalities over that time.

One of the variables that needs to be factored into indicators is how the various aspects of welfare are distributed across the population of a territory. It is therefore fundamental to incorporate poverty and inequality indices into the assessments carried out. The fourth article in this block takes this line and focuses on developments in social inclusion and growth in the Basque Country. Author **Joseba Zalakain** describes the main characteristics of the Basque income guarantee and social inclusion system in terms of both scope and outcomes, and analyses the link between economic growth, the model of production and inequality. His results highlight the fact that the Basque income guarantee model has proved capable of containing the rise in poverty and inequality without compromising the competitiveness of the Basque economy and its ability to create jobs, and without creating a pull effect among the needy.

It is known that the distribution of wealth and income has become increasingly unequal in developed economies since the 1980s. The second block of articles in this issue focuses on the changing relationship between economic growth, distribution and social welfare in wealthy countries over the past few decades. They analyse the role of the theories that explain the causes and consequences of this relationship in trends in productivity and in wage inequality, and the increasing significance of wealth gaps between generations based on the ever more unequal accumulation of wealth.

The first article in the second block is by **Lídia Brun** and **Ignacio González**. They introduce the topic by discussing the various theories that link economic growth with inequality and look at their political implications. It is crucial to realise that there is a major academic debate ongoing concerning the causes of increased inequality, and that the different discourses have significant implications. Some emphasise the explanatory power of technology mechanisms while others point to institutional factors such as market regulation and taxation, all of which highlights the political nature of the study of inequality. The authors here discuss all these discourses in the context of the theories on the link between growth and inequality throughout the history of economic thinking, and firmly advocate returning to a path of far-reaching redistribution.

In the past 20 years, Spain has undergone a substantial increase in wage inequality. Limited improvements in labour productivity may be one of the factors behind this highly negative trend in one of the main drivers of income inequality. In her article, **Raquel Sebastián** analyses the links between per capita income, wage inequality and welfare in 30 European countries for the period 2004-2090. Her results show that over that time it is in those European countries with the highest per capita income that welfare has increased most, and that productivity levels there are closely linked to average wage levels. She also observes that the differences in labour productivity between Spain and its neighbours are persistent over time, and that the underlying reason is that gains in average wage over the period in question have been offset by increases in wage inequality, thus keeping Spain far from the labour productivity figures of its most highly developed neighbours.

Trends in wages are not the only determinant of the economic welfare of households: other factors include earnings from capital and major transfers from the public sector such as pensions and unemployment benefits. The article by **Luis Ayala** and **Olga Cantó** considers the link between economic growth and the distribution of available income in Spanish households over the last 50 years, with special emphasis on the main changes in the structure of distribution by social classes as a result of the 2008 crisis. They also conduct an in-depth analysis of the most disadvantaged sectors of the population and find an increase in chronic economic poverty. This is one of the main determinants of future inequality of opportunities.

The next article in the second block is by **Marc Morgan**. Taking a broader, global perspective, he outlines the main results of the analysis of trends in distribution of income and wealth conducted by the World Inequality Lab in its *World Inequality Report 2022*. The method of analysis used combines microeconomic data on income (surveys, tax data) with macroeconomic data (national accounts). He concludes that although growth has slowed in wealthy countries, the accumulation of private wealth is increasing consistently while public wealth decreases. He stresses the importance of «pre-distributive» policies and the need for a fairer distribution of wealth in order to reduce inequality, which is set to worsen due to the effects of the financial crisis and the pandemic. He also points out that it is essential for countries to harmonise their sources of information so as to provide official estimates of distribution which are consistent with macroeconomic growth.

This block ends with an article by **Miguel Artola** that explores the main mechanisms underlying the increasing gap in economic welfare between age groups. His findings indicate that changes in the labour market show the relative deterioration of the position of young workers due to falling wage levels in more highly qualified groups, to the rise of new forms of contracting (part-time contracts and freelancing) and to unemployment. He stresses that wealth inequality between generations is also on the increase, due not only to the most obvious channel for transmission (savings) but also to the fact that capital gains have benefited older generations disproportionately. He ends by reviewing possible future scenarios and the potential effects of the transfer of wealth by inheritance in the coming years.

The last two articles in this monographic issue of the journal use the concept of MIPE (a Spanish acronym standing for «Inclusive, Participatory Business Model») to present and develop two specific practices for the Basque country in terms of investee companies and a cooperation-based economy. The first, by de **José Luis Jiménez Brea**, looks at the creation and distribution of value at companies in the context of the challenges posed by the transitions needed in the current century. In this model, competitiveness and the creation of value at companies call for the application of knowledge and creativity on the part of their people. This needs to stem from a «shared project» involving participation in management and investment in capital. This in turn means switching from a management model based on control and quality to one based on creativity and participation. The supra-municipal area of Debagoiena in Gipuzkoa is presented as a case in point. This area has a substantial number of cooperative companies, and manages to generate more value than average and distribute income more fairly.

The last article is by **Juan Manuel Sinde**, **Carlos García de Andoin**, **Javier Retegui** and **Jon Emaldi**. It outlines the background, experience, content and development of the MIPE model and presents some reflections about it. This model, based on a socio-economic tradition of cooperation in education and business, is centred on the idea that cooperation can and should bring about new practices in economics, education and business over and above the conventional formula of companies in the form of cooperatives.

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