SNS COLLEGE OF TECHNOLOGY

An Autonomous Institution
Coimbatore-35

Department of Management Studies

23BBT603 – Managerial Economics

I MBA / I SEMESTER

UNIT I : Fundamentals of Business Economics

Topic: Wealth and Welfare Concepts

Introduction

Wealth and welfare are **foundational ideas in economics**, shaping how we define and measure prosperity.

- **Wealth** focuses on material possessions and financial assets.
- **Welfare** emphasizes **human well-being and social satisfaction**.

Economics evolved from studying wealth to focusing on human welfare and quality of life.

Concept of Wealth

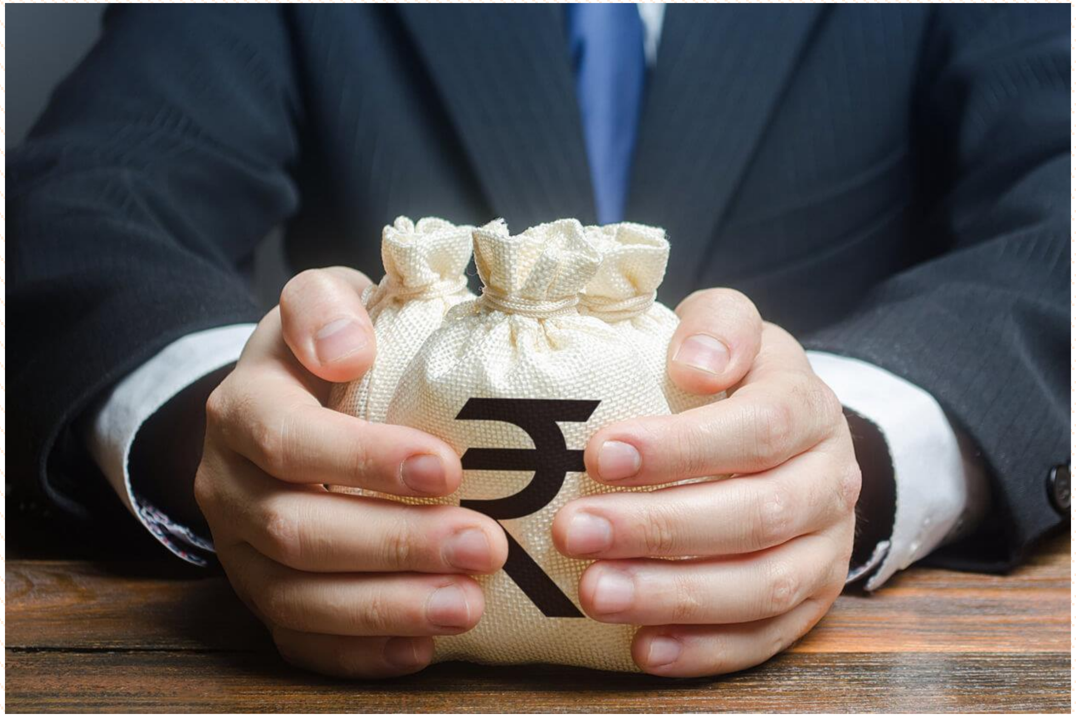
According to **Adam Smith (The Wealth of Nations, 1776)**:
"Economics is the science of wealth."

- Wealth includes **all goods and services** that have **value, utility, and exchangeability**.
- Focus: **Production, accumulation, and consumption** of material goods.
- Earlier economists believed wealth leads to prosperity — later challenged by welfare economists.

Example:
GDP growth represents national wealth creation, but doesn't always ensure equitable welfare.

Characteristics of Wealth

- ✓ **Utility** – Must satisfy human wants.
- ✓ **Scarcity** – Should be limited in supply.
- ✓ **Transferability** – Can be exchanged or transferred.
- ✓ **Materiality** – Tangible or valuable assets.
- ✓ **Economic Value** – Should have a measurable price in the market.



Example:
Gold, land, machinery, patents, and stocks are considered forms of wealth.

Criticism of Wealth Definition

- Overemphasis on **materialism**.
- Ignored **non-material well-being** (health, happiness, education).
- **Neglected human and moral values**.
- Limited focus on **distribution and equity**.

This led to a shift from **Wealth Economics** → **Welfare Economics**.

Concept of Welfare

According to **Alfred Marshall (Principles of Economics, 1890):**

"Economics is a study of mankind in the ordinary business of life."

- **Welfare** refers to **human satisfaction and well-being**, both **material and non-material.**
- Focuses on how economic activities enhance the **quality of life**.
- Includes **health, education, income equality, safety, and happiness**.

Example:

A country with moderate income but high healthcare and education standards (like Denmark) achieves greater welfare.

Types of Welfare

Type	Meaning	Example
Individual Welfare	Satisfaction of a person's needs	Personal income, lifestyle
Social Welfare	Collective well-being of society	Literacy, healthcare access
Economic Welfare	Derived from material goods and income	Higher purchasing power
Non-Economic Welfare	Non-material satisfaction	Happiness, freedom, peace

Relationship Between Wealth and Welfare

- Wealth is a **means**, while welfare is the **end**.
- Mere accumulation of wealth **does not ensure welfare**.
- Balanced growth considers both **economic prosperity** and **social well-being**.

Example:
High GDP (wealth) + Low inequality + Better healthcare (welfare) = True progress.

Design Thinking & AI Relevance

Design Thinking Connection:

- Empathize → Understand societal and individual needs beyond material gains.
- Ideate → Create business models that promote **inclusive welfare**.

Example: Social enterprises combining profit with impact (e.g., SELCO Solar India).

AI Relevance:

- AI-driven analytics measure **social welfare indicators** like health, literacy, and income equality.
- AI assists governments in **targeted welfare programs** (e.g., predictive poverty mapping).

References

- https://www.investopedia.com/terms/w/wealth.asp
- https://www.economicsdiscussion.net/welfare/welfare-economics/31809
- https://corporatefinanceinstitute.com/resources/economics/wealth-vs-welfare/


Thank you!