"Observable utility" as a generalization of GDP outside the consumer-firm model

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Abstract The Gross Domestic Product (GDP) is a popular proxy for aggregate welfare in many practical settings. However, a theoretical inadequacy of GDP is that its definition rests on the notion of a "final good", and as a result is only well-defined within what we call the consumer-firm model of economics. In this paper, we proposed a new metric of welfare, that we term "observable utility", which is defined in a more general context. We prove some basic results about the validity of this metric, and demonstrate that it acts as a natural generalization of GDP, noting the conditions under which it reduces to the latter.

1 Declarations

1.1 Funding

Not applicable.

1.2 Competing interests

Not applicable.

1.3 Availability of data and material

Not applicable.

1.4 Code availability

Not applicable.

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