



Entwicklungspolitisches
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Is there life after economic growth? A look from the well-being perspective might indicate that yes.

Abstract: The values we attach to things can be expressed in monetary form. For this reason, money is a practical indicator to assess goods and services. This notion of measurement allows comparison between things through assigning a monetary number to what is usually called value or utility. From a strictly rational point of view, we would be inclined to maximize our utility (benefit) through increasing our monetary income. However, utility may not be strictly only about getting more money, it may also entail the opposite, to the point that utility will seem to be more of a psychological nature. Once we start to depart from the notion that utility is strictly measured with money and assuming that we can have all our needs covered and we can secure a reasonable standard of living, would we still be increasing our utility by increasing our income?

From the mainstream economic perspective, the values we attach to things can be expressed in monetary form and the concept of 'willingness to pay' emerges. This concept reflects the maximum amount we are willing to give up to get a product, a service or even avoid an outcome. To make things easier to assess, this is also used to measure non-monetary things like the benefits from a healthcare program or education. This notion of measurement allows comparison between things through assigning a monetary number to what is usually called value or utility. For this reason, money is a practical indicator to assess goods and services we would like to obtain. The key component in this constellation of terms, I think is getting a deeper look at what is meant by utility.

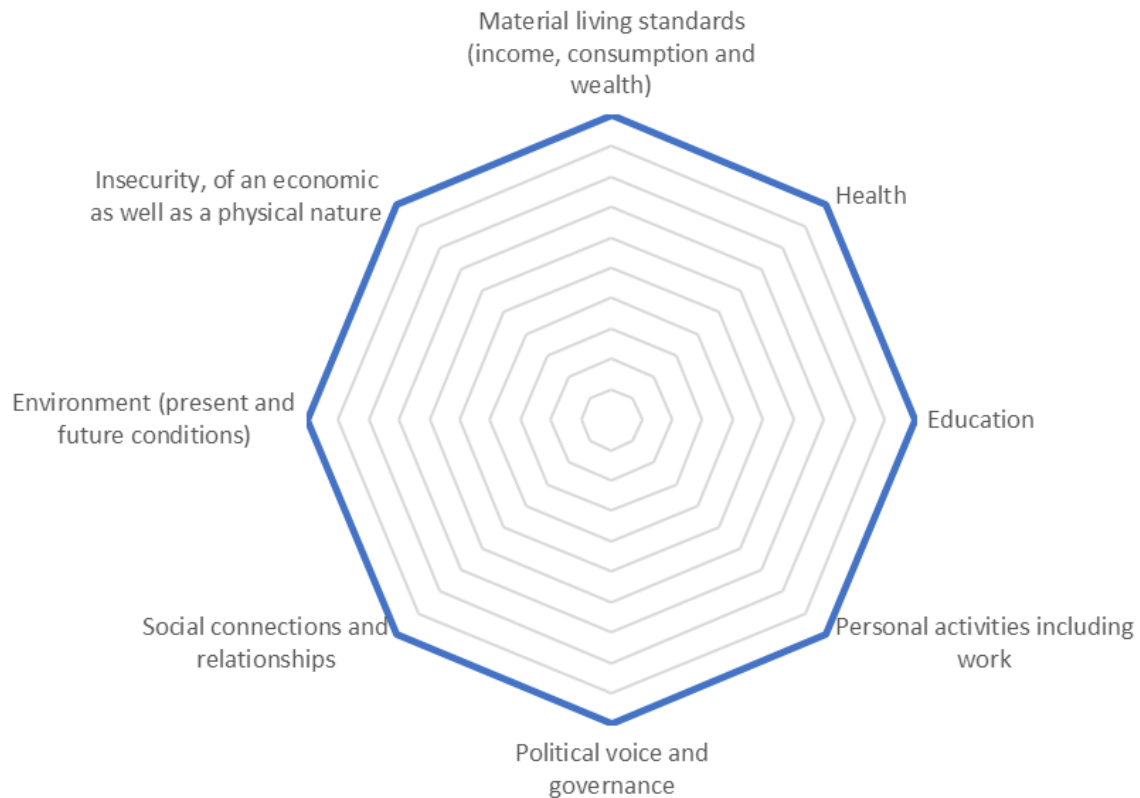
From a strictly rational point of view, we as agents taking part in economic transactions would be inclined to maximize our utility (benefit) through increasing our monetary income. Countries seen from the same perspective would be also compelled to maximize their economic growth in order to maximize their utility (in this case of its citizens). However, utility may not be strictly only about getting more money, it may also entail the opposite. Making a donation to charity from a strictly economic point of view will leave us worse off (less money) but in return we may get this nice feeling of knowing that we could also be helping someone who really needs it. In a case like that, utility will seem to be more of a psychological nature.

Corr and Plagnol (2019) indicate that, once a certain level of wealth is reached money and psychological utility might be orthogonal (both concepts are not interdependent – knowing about one might not help understanding the other). In a case like the previously mentioned, this would seem to make sense that a person would be less likely to donate to charity if he or she is struggling to get food first. So, once we start to depart from the notion that utility is strictly measured with money, we might start to consider that it could also refer to a certain kind of benefit or even well-being. Assuming that we can have all our needs covered and we can secure a reasonable standard of living, would we still be increasing our utility by increasing our income? Specially if that would mean working longer days, or could it be that we draw more benefits from other activities, like spending more time with family and friends? The ‘opportunity costs’ seen beyond the economic perspective might reveal that utility coming from time spent with friends and family might be bigger than simply money, particularly if we consider that the loss of time with our loved ones cannot be recovered. Would it also make sense to look at this idea from a national perspective? Could we imagine living without measuring things merely with money? Is there life after economic growth?

Since 2014 the UK has overtaken France as the fifth largest economy in the world. Cusick (2014) indicates that the inclusion of prostitution and illegal drug sales have contributed to this accomplishment. Considering these sources as contributors to indicators of economic growth such as GDP, we may think that not all prosperity might be desirable. There are more favorable things that probably are not accounted in GDP like unpaid household work or voluntary work. If it is not strictly economic growth what governments should look for, then what? It might seem that after several decades of research, governments are timidly beginning to consider the subjective well-being (SWB) of their citizens in their policies. This encompasses the individual’s own cognitive and affective assessments of their personal well-being.

In 2008 the French president Nicholas Sarkozy assigned Joseph Stiglitz, Amartya Sen (both won the Nobel Prize in Economic Sciences) and Jean-Paul Fitoussi plus a group of mostly economists to find better ways of measuring societal well-being than GDP. The report published in 2009 by the *Commission on the Measurement of Economic Performance and Social Progress* (also known as the Sarkozy report; Corr and Plagnol, 2019) identified 8 key dimensions of ‘well-being’ that should be used to assess and design public policies. These dimensions include: Material living standards (income, consumption and wealth); Health; Education; Personal activities including work; Political voice and governance; Social connections and relationships; Environment (present and future conditions), and Insecurity, of an economic as well as a physical nature (Stiglitz, Sen and Fitoussi, 2009). These dimensions are not fully accounted in GDP. Another good sign of moving towards the right direction might also be the SDGs with their 17 goals aimed toward the well-being of the people and the planet.

8 key dimensions of 'well-being'



Source: Own elaboration according to data from Stiglitz, Sen and Fitoussi, (2009)

More money can improve SWB, but only if it is to avoid poverty and one lives in an industrialized country. According to Diener and Biswas-Diener (2002) however, this will be marginal in the long term, especially for already wealthy individuals. This could be due to the fact that increasing income can also lead to increasing expectations. Increases in income can lead to greater discrepancies between aspirations and realities, since with the increase in income this may cause an increment in consumption. Diener and Biswas-Diener (2002) indicate that the income-SWB relationship is affected by psychological components such as the number of aspirations and social judgements. It is true that, from an objective point of view, higher incomes provide better living conditions and this can have a positive impact on SWB. This is evident, for example, in poor countries, where the average SWB levels are affected by poverty. Conversely, once people reach a high level of income (relative to world standards), further increasing their income no longer contributes to the satisfaction of important wants and needs. Apparently focusing on getting more money leads to an inverse relationship with SWB (see also Barriga Ortiz, 2021).

Three approaches may help getting a better understanding of the relationship between consumption (through economic growth) and well-being: human nature, relative standards, and culture.

Human Nature: There are certain universal characteristics of the human being, such as elementary biological requirements. Income will contribute to SWB to the extent that it facilitates satisfying those basic needs. In this way, income can improve the SWB if it supports individuals not only to get sustenance and housing, but also help to achieve security, status and further advances their skills (Waterman, 1984).

Relative Standards: Comparative standards or models of judgment are grounded on the notion that individuals use different ideals to assess their well-being (Campbell, 1976; Diener, 1984; 2009). These comparison standards can be evaluated based on previous accomplishments, perceived comparison among peers, and the individual's own goals. Therefore, a person may be happy or dissatisfied based on how the people around are also performing in the domain of interest of the individual. Corr and Plagnol (2019) indicate that status and the well-being that can be attained from it will depend on the effects of social comparison. In general terms, the increment of aspirations as a result of social comparisons and hedonic adaptation will tend to frustrate any positive impact an economic increment might bring on well-being.

Cultural approach: Acting in accordance with the values of a culture can lead to positively or negatively experiencing SWB feelings since the individual would have adapted (or not) the related goals to the culture and experienced emotions in accordance with cultural norms. Diener and Biswas-Diener (2002) mention that within societies the custom is to work and receive remuneration for it, with this the individual feels valuable. The acquisition of assets and money that reflects success are also socially accepted. From this perspective, people who work and consume experience SWB because they behave as society expects, they fulfill their role in it. Within this logic then, a person who works more and earns more is successful and is likely to have a higher SWB, at least compared to somebody who is poorer. It is true that there are cultures that give more importance to competition, others to efficiency and others to austerity and savings. Depending on the case, the definition of success may vary which could also explain the differences in the relationship between money and SWB.

From the perspective of human nature, to reach a high SWB the requirements are universal, they lie in the satisfaction of the biological needs of the individual, in the participation of challenging-enough activities and that the individual is in a social environment where he/she feels related to others. Through the cultural approach, however, the requirements for a high SWB vary depending on the values and objectives that a society has. The individual can assume different roles that can lead to different activities according to the context. Through relative standards, variability is further increased, because the objectives and points of comparison vary according to the context over time.

With the integration of these three approaches is possible to describe the connection between income and SWB. People socialize by working and by participating in the consumption of culture and there is some satisfaction in this act. By achieving a certain level of consumption, assuming this is the cultural imperative, people will be somewhat happier and to some extent enjoy such activity. From innate needs, some desires arise (human nature) and become cultural objectives. Those individuals who make the most progress toward those goals will be more satisfied with life since those goals are a relevant standard of comparison. If the needs of other people are also considered, like close interpersonal relationships, challenging activities and considering the cultural

context, achieving higher incomes is not necessarily an accurate estimate of the number of desires that could be achieved.

It is also clear that many situations of poverty in one country can be considered well-off situations in another, much depends on the context and the cost of living in each country. The hope placed on economic growth, according to Easterlin and Angelescu (2010) brings both benefits and problems. Economic prosperity in a country entails more jobs and higher income, but it also implies greater urbanization, different types of pollution and social upheaval, among others. Taking into account the considerations mentioned above, it would be wise to consider moving away from measuring everything in just monetary terms. Especially when some 'opportunity costs' are low no matter how much money is invested. Life means constant development and growth, but not only economically.

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