

**CES Working Paper 06/06**

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- wellbeing, consumption growth and sustainability**

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**ISSN: 1464-8083**

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**ISSN: 1464-8083**

**Published by:**

**Centre for Environmental Strategy, University of Surrey,**

**Guildford (Surrey) GU2 7XH, United Kingdom**

**<http://www.surrey.ac.uk/CES>**

**Publication date: 2006**

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# Beyond the ‘Wellbeing Paradox’:

## - wellbeing, consumption growth and sustainability

A concept paper prepared for the New Economics Foundation as input to the DEFRA Whitehall Wellbeing Working Group (W3G) evidence review

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June 2006

### Introduction

There has recently been a surge of interest in the subject of wellbeing.<sup>1</sup> Some of the emerging debate has been framed in terms of the related concept of ‘happiness’.<sup>2</sup> Some of it has drawn on earlier debates about the ‘quality of life’.<sup>3</sup> In one form or another, the subject has been widely discussed in academic and media debate. Layard’s recent book on *Happiness* received extensive publicity. The BBC’s *Happiness Formula*, David Cameron’s recent suggestion to measure ‘gross national wellbeing’ alongside economic growth, and a variety of other interventions have given wellbeing a high visibility – if not priority – in media and policy circles.<sup>4</sup>

The aim of this paper is to explore the relevance of the emerging debate on wellbeing for sustainable development. The particular context of the discussion is the UK Government’s own commitments on the subject of wellbeing, as set out in the revised 2005 Sustainable Development strategy. Perhaps unknown to Mr Cameron, by the time he made his suggestion that we should pay more attention to wellbeing, *Securing the Future* had already committed the Government to reviewing research

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<sup>1</sup> Huppert, F, B Keverne and N Baylis (eds) 2004. The Science of Well-being - Integrating neurobiology, psychology and social science. Proceedings of Royal Society Scientific Discussion Meeting, 19-20 November 2003. *Philosophical Transactions of the Royal Society series B*, 358, September 2004; nef 2005. *A Wellbeing Manifesto*. London: New Economics Foundation; Diener, E and M Seligman 2004. *Beyond Money: towards an economy of wellbeing*.

<sup>2</sup> Layard, R 2005. *Happiness – lessons from a new science*. London: Allen Lane. Layard, R (ed) 2004. *Happiness. A report of the Happiness Forum*. London: LSE; Martin, P 2005. *Making Happy People: The Nature of Happiness and its Origins in Childhood*. London: Fourth Estate; Inglehart, R and H-D Klingemann 2000. *Genes, Culture and Happiness*. Boston: MIT Press.

<sup>3</sup> Jacobs, M 1997. The quality of life: social goods and the politics of consumption. In *Greening the Millennium? The New Politics of the Environment*, M Jacobs (ed), Blackwell Publishers, Oxford; Jackson, T 2001. Quality of Life, Sustainability and Economic Growth. Chapter 6 in Cahill, M and A Fitzpatrick (eds) *Environment and Welfare: towards a green social policy*, Palgrave Macmillan, London, 97-116.

<sup>4</sup> See for example: [www.bbc.co.uk/happiness](http://www.bbc.co.uk/happiness); On Cameron’s intervention see (eg) [http://news.bbc.co.uk/1/hi/uk\\_politics/5003314.stm](http://news.bbc.co.uk/1/hi/uk_politics/5003314.stm). See also [http://news.bbc.co.uk/1/hi/programmes/happiness\\_formula/4809828.stm](http://news.bbc.co.uk/1/hi/programmes/happiness_formula/4809828.stm).

evidence on wellbeing, exploring ‘how policies might change with an explicit wellbeing focus’ and developing indicators of wellbeing ‘as supported by the evidence’.<sup>5</sup>

The structure of this paper is as follows. In the next section I discuss in broad terms the similarities – and also some crucial differences – between the debate about wellbeing and the debate about sustainable development. I identify one key issue in both debates which merits further exploration, namely: the relationship between consumption (and income) growth and wellbeing. In the sections which follow, I explore this relationship further: first, by setting out the ‘conventional’ understanding of the link between consumption growth and wellbeing; next by highlighting some of the evidence – in particular the so-called ‘wellbeing paradox’ – that the conventional understanding is problematic; and then by summarising a variety of attempts to ‘explain’ this paradox. Finally, I discuss the policy implications that emerge from this exploration.

## **Similarities and differences**

The modern debate about wellbeing is not entirely coherent. In the first place, there is a variety of different terminologies in play: wellbeing, happiness, reported life satisfaction and quality of life all refer to broadly similar arguments and evidence bases. Even amongst those who prefer to use the language of wellbeing, a variety of different definitions of the term itself has been advanced.<sup>6</sup> There are also key differences in the lessons which people draw from the evidence on wellbeing.<sup>7</sup> In spite of such differences, there is a lot in common to the various approaches. In particular, wellbeing protagonists tend to share a particular point of view about contemporary society.

The broad hypothesis attributable to this viewpoint is that, in one sense or another, modern society is adrift in its pursuit of wellbeing. Too much emphasis has been placed on economic output and productivity; not enough has been placed on the desired outcome of all that activity: human wellbeing. A great deal of effort has been dedicated to measuring and monitoring economic variables. Not enough attention

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<sup>5</sup> DEFRA 2005. *Securing the Future – delivering UK Sustainable Development strategy*. London: HMSO

<sup>6</sup> NHS 2004; McAllister, F 2005. Wellbeing: a Background Paper. London: SDRN.

<sup>7</sup> See for example Pick, D 2005. Increasing Returns. *The Guardian*. 26<sup>th</sup> March 2005. <http://books.guardian.co.uk/reviews/scienceandnature/0,,1445773,00.html>.

has been paid to maintaining and monitoring the broader set of conditions on which wellbeing depends. A huge fuss attends even the slightest hesitation in upward economic trends and performance indicators. Clear evidence of failing or faltering wellbeing – the rise in depression and mental illness in some developed countries, for example – has passed largely unnoticed and unscrutinised at the policy level.

The relevance of this debate to sustainable development is striking. Sustainable development also offers a critique of contemporary society. It too suggests that undue attention has been paid to purely economic aspects of development. In the Preface to the 1999 UK Sustainable Development Strategy, the Prime Minister acknowledged that ‘focusing solely on economic growth risks ignoring the impact – both good and bad – on people and on the environment... in the past, governments have seemed to forget this. Success has been measured by economic growth – GDP – alone. We have failed to see how our economy, our environment and our society are all one. And that delivering the best quality of life for us all means more than concentrating solely on economic growth.’<sup>8</sup>

At heart, sustainable development is a challenge to pursue a different pathway towards the same goal: human wellbeing. In the Brundtland conception,<sup>9</sup> this goal is cast in terms of needs satisfaction.<sup>10</sup> In the 1999 strategy, it is cast in terms of the quality of life. In the 2005 strategy, for the first time, the goal of sustainable development is cast explicitly in terms of wellbeing. One of the key principles of wellbeing – ensuring a strong healthy and just society – talks of ‘promoting personal wellbeing, social cohesion and inclusion’.<sup>11</sup> As mentioned above, the new strategy commits the UK Government to exploring ‘how policies might change with an explicit wellbeing focus’ and to developing indicators of wellbeing alongside the other sustainable development indicators.

In spite of these similarities, the debate about wellbeing is not entirely congruent with the debate about sustainable development. For a start, improving individual or aggregate levels of wellbeing is clearly not in itself enough to achieve sustainability. A premium is placed by sustainable development on the question of distribution (equity): of incomes, of resources, of impacts and (by extension) of wellbeing across

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<sup>8</sup> DETR 1999. *A Better Quality of Life*. London: HMSO.

<sup>9</sup> WCED. 1987 *Our Common Future*. Oxford: OUP.

<sup>10</sup> There is more than a nod here to the humanistic psychology of the mid 20<sup>th</sup> Century, in which wellbeing is itself cast in terms of needs satisfaction.

<sup>11</sup> DEFRA 2005. *Securing the Future*. London HMSO.

different sections of society. Sustainability also demands that we look to the wellbeing of future generations as well as the wellbeing of the current generation (futuraity). A society in which people pursue their own wellbeing without regard either to the wellbeing of other people today or to the wellbeing of future generations is not sustainable.<sup>12</sup> These two conditions – equity and futurity – tend not to be explicit in the contemporary debates about happiness but are clearly vital to the question of sustainable development.<sup>13,14</sup>

At the same time, the contemporary interest in wellbeing brings something new to the sustainability debate – or at least, it has made explicit something which had often only been left implicit previously. This is the suggestion that, even in its own terms, contemporary society is failing to deliver. The pursuit of ever-rising outputs and ever-increasing incomes – in addition to having unacceptable social and environmental impacts – is failing consistently to deliver happiness either.

At a broad level then, these two debates – two critiques of conventional development – appear to complement one another. Sustainable development has mainly been concerned with the impact that pursuing wellbeing has on others (both now and in the future). The wellbeing debate, by contrast, offers a more radical reexamination of the pursuit of wellbeing itself. In one sense, this additional critique seems to underline the extent to which contemporary models of progress are flawed. Not only is our pursuit of wellbeing unsustainable in its environmental and social impacts, it does not even consistently deliver its promise of improved wellbeing.

What are the implications of this? In the first place of course, it could be argued that modern society is seriously adrift in pursuit of well-being. Not only are we compromising the wellbeing of future generations, we do not appear consistently to be delivering our own. But equally, this well-being deficit suggests that possibility of some hope for the future. Namely, that it might be possible to deliver well-being without materialism, a higher quality of life without the associated material throughput and environmental impact, a kind of double dividend in sustainability: to live better by

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<sup>12</sup> The literature also refers to these two conditions as intra- and inter-generational equity respectively.

<sup>13</sup> The (intragenerational) equity condition is more likely to be captured in the debates about happiness. Layard (2005) for example is clearly motivated strongly by the need for a more equitable distribution of happiness. But even the equity condition is not routinely internalised in the happiness debate.

<sup>14</sup> A further aspect of the debate – sometimes but not always present in discussions about sustainable development – is the impact which the pursuit of human wellbeing has on other species.

consuming less, and be more sustainable in the process. And it is this promise which makes the well-being debate such an important one for sustainable development.

If modern society consistently delivered improvements in wellbeing but only at the expense of future wellbeing, proponents of sustainability could expect to face a hard task convincing people to behave differently. But if modern society is in fact already failing in its pursuit of wellbeing, we ought to be able to hold out the prospect of living better and more sustainably at the same time. Selling sustainability, in these circumstances, ought to be a good deal easier. Adapting or perhaps even abandoning the conventional model of progress ought to be considerably more palatable, if that model is already flawed.

This is the vision which makes the wellbeing debate interesting for protagonists of sustainable development. But how feasible is it? And how should this task – of devising a better model of progress – be approached? Answering these questions requires us to examine more closely how the conventional model for pursuing wellbeing operates. In particular, we need to address one of the most fundamental assumptions of the conventional model: namely, that consumption growth is the key to improved wellbeing. This assumption is particularly problematic for sustainable development because consumption growth is also the driving force behind rising environmental impacts. Thus, the question of whether or not – or to what extent – consumption growth really does deliver improved wellbeing becomes one of the most important questions to address in untangling the relationship between wellbeing and sustainability.

## **Consumption and wellbeing**

Modern society is organised around a particular model of how to pursue human wellbeing. Baldly stated, this model contends that increasing economic output – growth in the gross domestic product (GDP) – leads to improved well-being: a higher standard of living and a better quality of life across society. Economies are organised explicitly around the need to increase the GDP; business models are predicated on maximising profits to shareholders; people are inclined to believe that the more disposable income they have – the more they consume – the better off they are.

This model of progress goes some way to explaining why the pursuit of GDP has become one of the principal policy objectives in almost every country in the world in the last few decades. Rising GDP traditionally symbolises a thriving economy, more spending power, richer and fuller lives, increased family security, greater choice, and more public spending. A declining GDP, by contrast, is bad news. Consumer spending falls, business go bust, jobs get lost, homes are repossessed and a Government which fails to respond appropriately is liable to find itself out of office.

Since GDP rose more or less consistently in the UK over the last fifty years, the comforting logic of the conventional view suggests that we have been pretty successful in delivering an increasing standard of living and, by proxy, an improving quality of life in the UK over recent decades. Furthermore, if our concern is to ensure that wellbeing continues to reach new heights, the conventional view provides a ready and familiar formula for achieving this end: namely, we need to ensure high and stable levels of economic growth.

But what justification does this model of progress have in conceptual or in empirical terms? In the following section, I summarise briefly some of the arguments that have been made for consumption growth as a proxy – or at least a pre-requisite – for the pursuit of wellbeing. Some of these arguments draw on economic theory. Some are related to sociological and psychological understandings of the role of consumption in modern society. Some are based on structural features of the way in which modern economies operate.

### ***Arguments from economic theory***

Growth in the economy means that we have more to spend on goods and services. The more goods and services we have access to, the better off we are supposed to be. This assumption has a strong intuitive appeal and a powerful hold over the electorate. It also has a particular basis in economic theory. Specifically, the sum of consumption expenditures is equivalent (under certain conditions) to the value placed by consumers on the goods they consume and hence, according to the conventional argument, GDP can be taken as some kind of proxy for the wellbeing derived from consumption activities.<sup>15</sup>

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<sup>15</sup> This view of consumption growth as a proxy for wellbeing is implicit in many economics textbooks (see for example Begg et al 2003. *Economics*. 7<sup>th</sup> Edition. Cambridge: CUP). It is also discussed explicitly in some texts. See for example Beckerman, W 1991. *In Defence of Growth*. London: IEA; and more recently Friedman, B 2005. *The Moral Consequences of Economic Growth*. New York: Alfred A Knopf.

In formal economic terms, the equivalence of consumption expenditures with consumer values is valid only in perfect, equilibrium markets, and it is well enough known that in practice, markets are not perfect. Moreover, it is clear that public expenditure does not take place in equilibrating markets at all; government spending is not allocated according to market forces but according to the political and social priorities of the day. Throughout much of the latter part of the 20<sup>th</sup> Century, the response advocated by economic and social theorists – and in particular by right-wing economic and social theorists – to these market ‘failures’ was to strive for fewer market distortions: reduced taxation, lower public expenditure, less government intervention; in short to pursue hands-off, laissez-faire government. Since this strategy also has the consequence of placing more disposable income in the pockets of the electorate, it has had a strong appeal across the political spectrum.

Even conventional economic theory recognises that it is not sufficient to attend only to current levels of consumption. Wellbeing, it is understood, consists at least in part in feeling secure about the future. Thus, future consumption possibilities must also play some part in current well-being. This point was raised long ago by the economist John Hicks who pointed out that ‘the purpose of income calculations in practical affairs is to give people an indication of the amount which they can consume [in the present] without impoverishing themselves’ in the future.<sup>16</sup> Under one interpretation, being as well off at the end of the period depends *inter alia* on having the same consumption possibilities in the following period. Since these consumption possibilities flow from income streams which are generated by capital investment, this requirement has generally been translated into a demand to maintain capital intact. True income is thus the income in the period less the net depreciation of capital during the period.

At the national level, this leads us to compute the *Net Domestic Product* (NDP) by subtracting the depreciation of capital assets from the GDP. Hicks’ argument suggests that NDP provides a truer representation of national well-being than does the GDP. In fact, in a seminal paper in welfare economics, Martin Weitzmann showed that NDP can be regarded as a proxy for national welfare in the sense that (under certain conditions at least) it is proportional to the present discounted value of

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<sup>16</sup> Hicks, J 1939. *Value and Capital*. Oxford: Oxford University Press

all future consumption.<sup>17</sup> In particular, therefore, a non-declining NDP can be taken as an indication of non-declining consumption possibilities into the future. Conversely, of course, the pursuit of NDP growth assumes (under this interpretation) a welfare-theoretic justification. Though GDP may be flawed as a measure of societal wellbeing, an appropriate correction for capital depreciation is (according to conventional economic arguments) sufficient to correct for the deficiencies.

### **Consumption, needs and capabilities**

The question of why precisely people value consumption goods and services is a critical one. For the most part, this question is left unanswered by conventional economic theorists who (since the pioneering work of Paul Samuelson<sup>18</sup>) prefer simply to observe the economic value assigned to those goods and services on the basis of (revealed) market preferences. On the other hand it is clearly possible to posit some functional relationships between goods and services and their value to people's wellbeing.

One way of defining these functional relationships is in terms of the satisfaction of underlying human needs. Fulfilling the need for subsistence, for instance, requires access to a variety of goods and services, food, cooking utensils, cooking fuels and so on. The value of these commodities lies (in part at least) in their ability to satisfy the subsistence need. Likewise a need for protection (from the elements, say) requires that we have access to adequate housing, shelter, and clothing. Beyond these so-called 'basic' needs', needs theorists identify a range of social and psychological needs – the fulfillment of which requires access to a variety of different kinds of goods and services.<sup>19</sup>

The literature also points to a critical distinction between goods which successfully satisfy the underlying needs and goods which either fail to satisfy the underlying need and or even impede the satisfaction of the same or other needs. This insight contributes an important element in the critique of consumption growth which is

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<sup>17</sup> Weitzman, M 1976. On the Welfare Significance of the National Product in a Dynamic Economy. *Quarterly Journal of Economics* 90:156-62.

<sup>18</sup> Samuelson, P 1938. A note on the pure theory of consumers' behaviour. *Economica* 5, 61-71.

<sup>19</sup> For further discussion of the needs theoretic interpretation of consumption see for example: Max Neef, M 1992. *Human-scale Development*. London: Apex Press. Jackson, T and N Marks 1999. Consumption, Sustainable Welfare and Human Needs – with reference to UK expenditure patterns between 1954 and 1994, *Ecological Economics*, vol 28, pp421-441; Jackson, T, W Jager and S Stagl 2004 Beyond Insatiability – needs theory, consumption and sustainability, Chapter 5 in Reisch, L. and I. Røpke (eds) *Consumption – perspectives from ecological economics*, Edward Elgar, Cheltenham.

generally absent from conventional economic orthodoxy – and I shall return to it later on. But for now, the main point highlighted by the needs-theoretic interpretation of wellbeing is that consumer goods and services play a functional role in the satisfaction of needs. Greater access to goods and services, in principle, should improve our ability to satisfy our needs, and by extension improve our wellbeing.

A related conceptualisation of the value of economic goods and services in the pursuit of wellbeing has been made by economist Amartya Sen. In a seminal paper on *The Living Standard*, written in 1984, Sen proposed that goods and services are valued in society on the basis of the capabilities they provide people in achieving certain kinds of ‘functionings’ in society.<sup>20</sup> To function well, I need certain kinds of capabilities. To feed well for example (to function physiologically) I need the capability to either grow or buy food, to prepare meals or have others prepare them for me and so on. One of Sen’s main arguments in the paper is that the value of different goods and services is not absolutely defined, but depends critically on what kind of society we find ourselves in. Echoing a sentiment expressed much earlier by Adam Smith, he suggests that:

‘To lead a life without shame, to be able to visit and entertain one’s friends, to keep track of what is going on and what others are talking about, and so on, requires a more expensive bundle of goods and services in a society that is generally richer and in which most people have, say, means of transport, affluent clothing, radios or television sets, and so on... The same absolute level of capabilities may thus have a greater relative need for incomes (and commodities).<sup>21</sup>

As this quote illustrates, the relationship between commodities and the capabilities they deliver depends on the social context. In other words, the relationship between the consumption of commodities and wellbeing is itself heavily dependent on the social context. In a richer society, according to Sen, the link between consumption and wellbeing will be different than it is in a poorer society. This point is an important one – and again I will return to it later.

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<sup>20</sup> Sen, A 1984 *The Living Standard*. Reprinted (1998) as Chapter 16 in Crocker, David and Toby Linden (eds) *The Ethics of Consumption*, New York: Rowman and Littlefield, 287-311; the earlier reference to Adam Smith is to Smith, A 1776. *An Inquiry into the Nature and Causes of the Wealth of Nations*, (reprinted 1976) Campbell, R and A Skinner (eds), Oxford University Press, Oxford.

<sup>21</sup> Sen 1984, 298.

### ***Social and Psychological Aspects of Consumption Growth***

What Sen is pointing towards in the extract cited above is the fact that commodities play important social and psychological roles in people's lives. This key insight has been explored extensively in the sociology and psychology of consumption.<sup>22</sup> Self-esteem, social status, social cohesion, belongingness, kin relationships, sense of community, trust, and sense of meaning or purpose: all of these vital social and psychological tasks are mediated – to a greater or lesser extent – through our relationship to material artefacts.

As Sen points out, some societies require a 'more expensive bundle of goods and services' than others to achieve these tasks. In our society, in particular, the reliance on material goods for social and psychological functioning appears to be particularly strong. But this relationship is – to some extent at least – evident in almost any society for which we have any anthropological evidence.<sup>23</sup> Consumption goods and services are complicit not just in the deliverance of healthy physiological functioning, but also in a range of vital psychological and social aspects of wellbeing too. It is significant, of course, that many of the social and psychological functions attributable to consumer goods and services are also recognisable as factors which are causally correlated with wellbeing. Once again, the suggestion here is that people really do approach quite broad aspects of human wellbeing, in part at least, through their consumption choices.

There is a further interesting psychological role played by income and consumption growth in modern society. It is well known that income growth plays an important symbolic role in status competition.<sup>24</sup> Having more money helps us to function better by giving us greater access to and choice of commodities. But incomes also carry symbolic value, with higher incomes representing higher social status. The evidence on the relationship between income and happiness illustrates this point very clearly. Easterlin first pointed out that relative income has a bigger impact than absolute

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<sup>22</sup> For a summary and discussion see Jackson, T 2005. Live Better by Consuming Less? Is there a double dividend in sustainable consumption? *Journal of Industrial Ecology* 9(1-2) 19-36. See also, Jackson, T 2006. Consuming Paradise? Towards a Social and Cultural Psychology of Sustainable Consumption. Chapter 25 in Jackson, T (ed) *Earthscan Reader in Sustainable Consumption*. London: Earthscan.

<sup>23</sup> This case is particularly strongly made by Mary Douglas: Douglas, M 1976. Relative Poverty, Relative Communication, in Halsey, A (ed) *Traditions of Social Policy*. Oxford: Basil Blackwell (reprinted as Chapter 16 in Jackson 2006, op cit); Douglas, M and B Isherwood 1979. *The World of Goods- towards an anthropology of consumption*, reprinted 1996. London and New York: Routledge.

<sup>24</sup> De Botton 2004 eg.

income on levels of reported life-satisfaction.<sup>25</sup> This finding has been borne out consistently since.<sup>26</sup> In a later section, we shall explore how this relative income effect has also been used to explain the failure of modern societies to deliver consistently higher wellbeing. But for now the point is that for so long as high status delivers wellbeing – either directly through self esteem related functions or indirectly through bringing greater access to other services and benefits – then the symbolic role of income growth is complicit in the way that wellbeing is pursued (and distributed) in modern society. In short, while wellbeing is related to status and status to income, then wellbeing is dependent on income.

The literature also identifies another important symbolic role for income (and consumption) growth which also appears to be influential in maintaining wellbeing. Higher incomes represent progress – not just at the individual level but at the societal level as well. When incomes as a whole are rising, it has been argued, people feel that their lives are progressing, that society itself is progressing. And this sense of progress is important, not just for status reasons, but for deep-seated psychological reasons related to people's sense of moral meaning and purpose. We know from the literature on consumption, that people negotiate individual meaning through their relationship with material commodities. A similar argument has been made at the macroeconomic scale: that a collective sense of moral purpose accompanies income growth; and that this sense of moral purpose stagnates when incomes stagnate.<sup>27</sup>

Though this is clearly a contentious argument, and the evidence needs a close examination, two aspects of the argument appear to be quite well-supported. The first is that a sense of meaning and purpose is important to people's wellbeing. The second is that, in our society (as it is currently organised), income growth – both individually and collectively – appears to symbolise progress, and therefore to provide a quite well-defined sense of (individual and collective) purpose in our lives. Understanding this need for a sense of purpose; and the role that income growth plays in this (in our society) is going to be vital in any attempt to change the model through which wellbeing is pursued.

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<sup>25</sup> Easterlin, R 1972.

<sup>26</sup> Layard 2005; Diener and Seligman 2004.

<sup>27</sup> Friedman, B 2005. *The moral consequences of economic growth*. New York: Alfred A Knopf.

### ***Structural demand for consumption growth***

Another key factor in the debate about the role of income in wellbeing is the structural reliance that income and consumption growth in the stability of the economy. As we shall see in the next section, the relationship between income growth and wellbeing is by no means clear. But one thing that is clear from the evidence is that the collapse of economies (for example in the former Soviet Union) is associated with declining wellbeing. In this sense, economic stability appears to be a pre-requisite for the pursuit of wellbeing. One of the key aspects of the debate revolves therefore around the extent to which economic stability is or is not possible without consumption growth.

This structural aspect of the relationship between consumption growth and economic stability has several important dimensions to it, summarised briefly in the following paragraphs.

#### *Productivity*

Modern economies operate by continually attempting to increase the labour productivity – the amount of output achieved per employee. This is supposed to guarantee the competitiveness of UK industry and improve our position in the international economy. But if the total output (GDP) were to remain constant, and the output per employee continually increases, then the number of people who could be employed would have to fall.<sup>28</sup> Employment can only stay constant (in an economy characterised by increasing labour productivity) by increasing the economic output, ie through GDP growth. The only way to break this cycle would be to accept reduced labour productivity, a course of action that no government has been keen to encourage.

#### *Public spending relies on growth*

Even those who insist that we already consume too much accept the need for public spending on health, education, transport, social security and so on. But public spending comes from the taxation of private incomes. Private incomes are generated by economic output. So if there is no growth in the economy, private incomes stagnate (or fall)<sup>29</sup> and so do tax revenues. The only way to increase public spending in these circumstances would be to increase taxation rates. Again, this option has

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<sup>28</sup> The fact the total population is also increasing exacerbates this problem.

<sup>29</sup> Again, this is inevitable if population increases.

proved consistently unpopular with successive governments over the last few decades.

*The opposite of growth is not stability*

Perhaps the most powerful argument in favour of consumption growth is that a growing economy is, on the whole, a stable one. The virtuous circle of growth is supposed to keep us from the vicious cycle of recession. 'The alternative to expansion,' as former Tory Prime Minister Edward Heath once remarked, 'is not an England of quiet market towns linked only by trains puffing slowly and peacefully through green meadows. The alternative is slums, dangerous roads, old factories, cramped schools, and stunted lives.'<sup>30</sup>

In fact, this assessment of structural instability in the absence of consumption growth may be premature. It may be possible to devise economic systems that avoid structural instability without relying on endless consumption growth. At the moment, however, we have very little experience of achieving this. And not knowing whether it is possible may be as bad as knowing it is impossible. The fear of collapse may be enough, not simply to keep us on the growth path, but even to keep us from a more rigorous examination of the alternatives. And this, I shall argue later, would be a serious mistake.

**Summary**

In summary, however, economic growth promises to deliver increased prosperity and improved consumption opportunities. Consumption is intrinsically linked to the pursuit of wellbeing. It provides, in principle, for the satisfaction of needs and the capability to function in society. This is true not just of basic material needs but also of a variety of social and psychological functionings. Through consumption we negotiate a variety of social and psychological goals that are intimately linked to wellbeing. Consumption growth also allows us to provide for public spending, maintain full employment and appears to protect us from the shark-infested seas of economic collapse. It even offers psychological rewards in terms of providing a sense of progress and direction to individual lives and to society in general. Taken together, these arguments represent a powerful set of arguments in favour of consumption growth. They also provide a powerful disincentive for questioning the underlying model of consumption as a proxy for wellbeing. Yet, questioning this model is

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<sup>30</sup> Cited in Douthwaite, R 1992. *The Growth Illusion*. Devon: Green Print, 20.

precisely what the concept of sustainable development demands of us and what the emerging wellbeing debate attempts to do.

### **The ‘wellbeing paradox’**

A reasonable question to ask of wellbeing protagonists – especially in relation to the claim that modern society is adrift in the pursuit of happiness – is: where is the evidence? Given the steady increase in consumption growth over the last fifty years, and the clear links between consumption growth and wellbeing, what is the basis for claiming that society is failing to deliver? Much of the recent literature has been dedicated towards marshalling this kind of evidence. It is probably also worth saying that there is also a good deal of earlier literature which offers similar concerns and arguments.<sup>31</sup>

A wide variety of different data sets are relevant to the argument. Some of these data sets relate to the causal influences on wellbeing. The ‘new science’ of happiness offers a pretty clear consensus that the conditions on which wellbeing depends are much broader than assumed in the conventional development model. Financial security is important. This means that income is clearly a factor in wellbeing. Although as Easterlin showed some time ago, relative income is more important than absolute income. But the evidence also indicates that a variety of other factors are closely correlated with wellbeing. These factors include family, work, community, friends, health, personal freedom or autonomy, moral values and a sense of meaning or purpose in life.<sup>32</sup> Table 1 illustrates the impact which changes in some of these factors can have on reported happiness. What is perhaps most striking about this table is the relatively small impact that income has – especially by comparison with other factors such as family, health and freedom. A survey carried out for the BBC to coincide with the *Happiness Formula* (Figure 1) found that the factor most people (47%) identified as important with regard to their own happiness and wellbeing was family relationships. Only 8% of people ranked money and financial situation highest in importance.

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<sup>31</sup> See for example: Fromm, E 1976. *To have or to be?* London: Jonathon Cape; Galbraith, J K 1957. *The Affluent Society*. London: Penguin Books; Hirsch, F 1977. *Social Limits to Growth*. Revised edition 1995. Routledge, London; Scitovsky, T., 1976, *The Joyless Economy*, Oxford University Press, New York.

<sup>32</sup> Helliwell, G et al 2003; Diener and Seligman 2004; Layard 2005.

Other data sets marshalled by the wellbeing protagonists include epidemiological evidence concerned with (for example) the increasing incidence of depression and mental illness in western nations.<sup>33</sup> Some care needs to be exercised in interpreting this evidence. One factor that may influence the data is that people may be more likely now to seek help for depression and anxiety than they were in the past. Nonetheless, it is odd, to say the least, to find higher rates of suicide, depression and other forms of mental illness in certain developed nations – characterised by increased incomes, and supposedly therefore by increased wellbeing – than in much poorer countries.

<b>Factor</b>	<b>Reduction in happiness points</b>
Source: Helliwell 2003/Layard 2004	
<b>Income</b>	
Family income down a third relative to average	2
<b>Family</b>	
divorced	5
separated	8
widowed	4
never married	4.5
co-habiting	2
<b>Work</b>	
Unemployed	6
Job insecure	3
<b>Community</b>	
'In general people can be trusted' (50% drop)	1.5
<b>Health</b>	
subjective health down 1 point	6
<b>Freedom</b>	
Belarus v Hungary (1995)	5
<b>Values</b>	
The absence of 'God' in your life	3.5

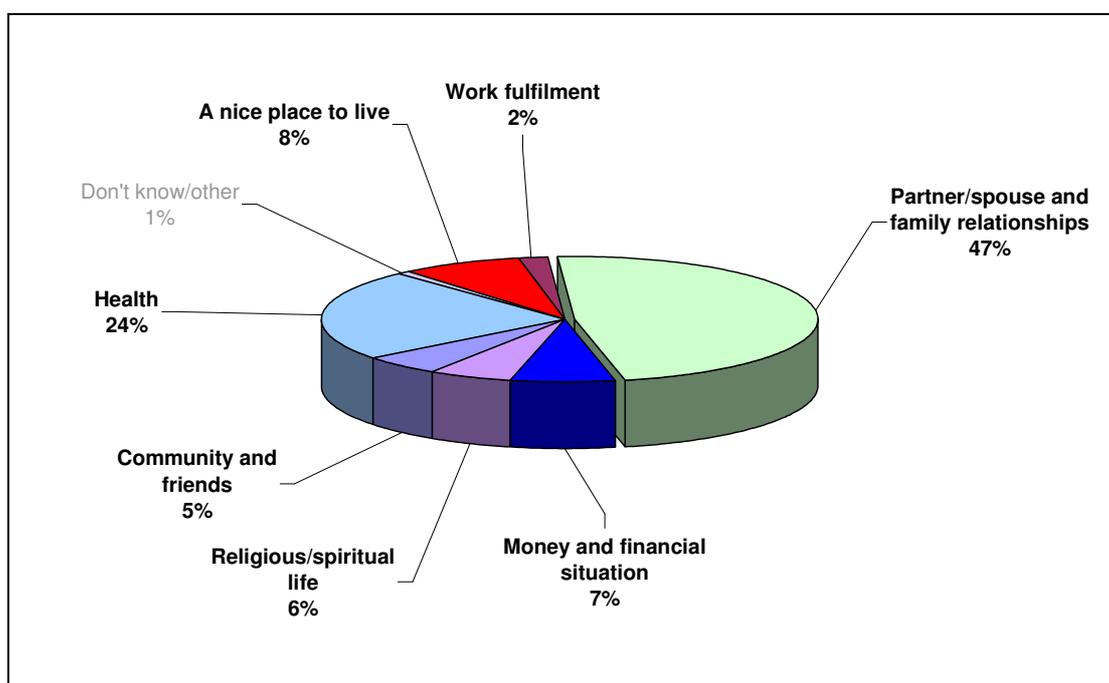
**Table 1: Factors affecting reported life satisfaction**

(Source: Helliwell et al 2003, Layard 2004)

Of course one possibility is that growth in wellbeing even in the more developed countries is skewed towards certain sections of the population, at the expense of

<sup>33</sup> James, O 1998. *Britain on the Couch: why we're unhappier compared to 1950 despite being richer*. London: Arrow Books.

other sections of the population. Evidence certainly suggests that considerable income disparities still persist even within western nations.<sup>34</sup> And it is possible that wellbeing disparities are exacerbated by these income disparities. But this argument still cannot quite explain the relative incidence of mental illnesses in developed countries compared to less developed countries where income disparities are also rather high. At any rate, even if this evidence is not, in itself, evidence of declining wellbeing in developed nations, it is clearly an important message for sustainable development which is particularly concerned with the equity dimension.



**Figure 1: Percentage of respondents (n = 1001) ranking each factor 'most important with regard to [their] own happiness and well-being'**

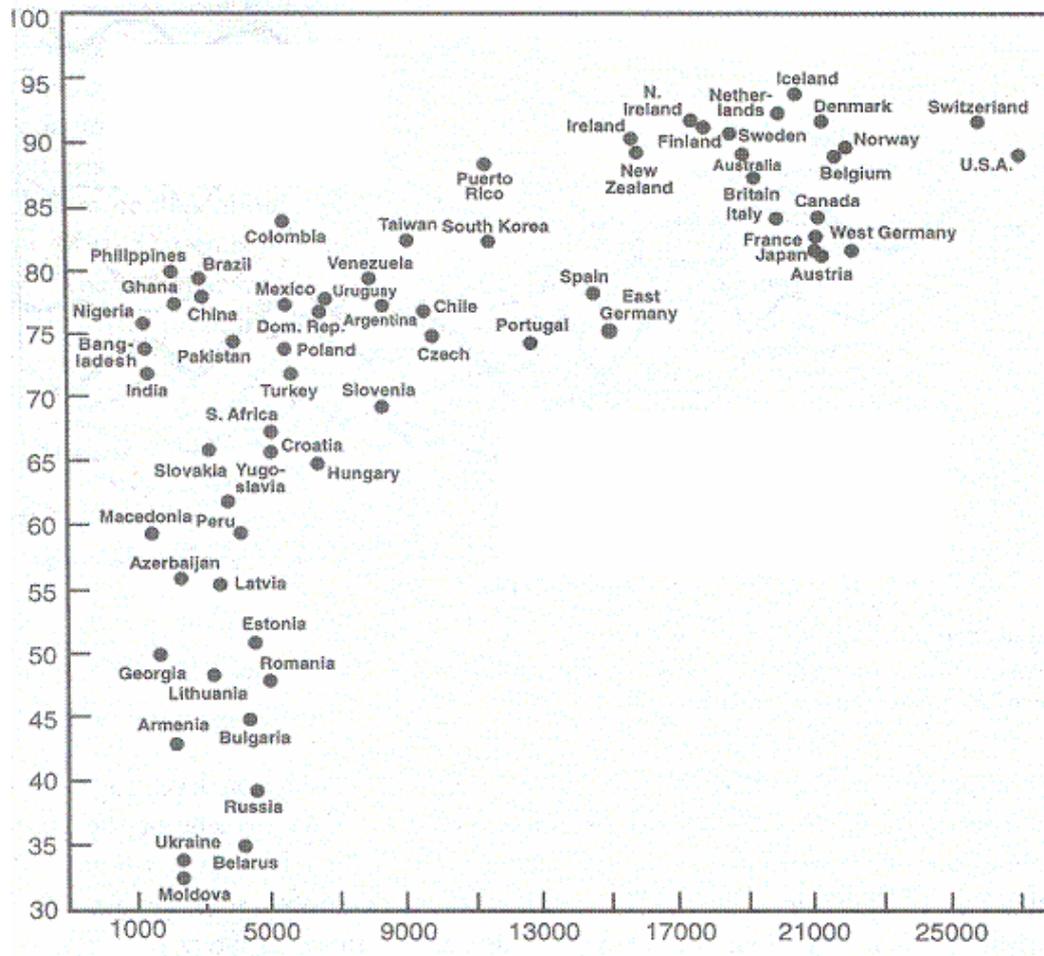
A particularly important argument in defence of the hypothesis that society is failing to deliver flows from the so-called 'wellbeing paradox'.<sup>35</sup> the observation that – beyond a certain level of income – increases in reported life satisfaction are (at best) only weakly correlated with rising incomes.<sup>36</sup> Some evidence to this effect is illustrated in Figure 2. The graph illustrates that subjective wellbeing rises with per capita income for low levels of income. However, this strong relationship begins to

<sup>34</sup> Goodman, A 2004; Jackson, T, N McBride and N Marks 2006. Measuring Regional Progress – developing a pilot regional indicator of sustainable economic wellbeing for the East Midlands. London: New Economics Foundation.

<sup>35</sup> Sometimes also referred to as the life-satisfaction or 'happiness paradox'.

<sup>36</sup> Layard 2005; nef 2005; Veenhoven, R 2006. Happiness Database.

diminish as incomes rise. Across most developed countries there is at best a weak correlation between increased income and reported life-satisfaction. And amongst countries with average incomes in excess of \$15,000, there is very little correlation at all between increased income and improved happiness.<sup>37</sup>



**Figure 2: Subjective wellbeing and per capita income<sup>38</sup>**

(Source: Inglehart and Klingemann 2000, ref 2)

Trends over time show even more striking (paradoxical) results. In the UK, for example, incomes have almost doubled since the early 1970s. Yet reported life-satisfaction over the same period has scarcely changed at all. A recent survey

<sup>37</sup> Similar results are derived from data collated by Ruut Veenhoven in the World Happiness Database: <http://www2.eur.nl/fsw/research/happiness>.

<sup>38</sup> The y-axis represents the average of the percentage of people who report themselves happy and the percentage of people who report themselves satisfied with life as a whole, data are taken from the World Values Survey; the x-axis represents purchasing power parity estimates of GNP per capita, data taken from the World Bank.

carried out for the BBC's *Happiness Formula* programme found that the proportion of people saying they are 'very happy' has fallen from 52% in 1957 to just 36% today.<sup>39</sup>

Again, care has to be exercised in interpreting results such as these. The social climate influences the way in which people respond to surveys. The willingness to declare unhappiness with one's life in modern 'Brit-Pop UK' may be significantly higher for cultural reasons than it was in postwar Britain. All the same it is odd, given the significant increases in disposable income witnessed in the last half century, to find so little measurable evidence of a corresponding increase in subjective wellbeing.

### **Summary**

Taken together, these data sets clearly pose some challenges to the conventional model of development in which rising incomes are supposed to represent real human progress. For whatever reason, the three fold rise in incomes that has characterised the last fifty years of development in the UK, does not appear to have led to measurable increases in subjective wellbeing. And this is paradoxical precisely because the model of progress on which modern society is predicated suggests the opposite: namely, that a threefold rise in income should have led to a clearly measurable increase in wellbeing.

### **Seeking explanations**

The wellbeing paradox might have remained a curious intellectual puzzle, were it not for the challenge of sustainable development. Of course, it is obviously important to identify, to understand and to address clear instances of ill-being – a rise in mental illness for example. It is probably also useful for Governments to be able to justify their economic policies in terms of wellbeing. But beyond such obvious applications of the data, what is there to gain from delving more deeply into the wellbeing paradox? If the Western model for the pursuit of wellbeing is unsuccessful, then so what? Why not let people just get on with it, in the best way they can, and find happiness where they may?

From the perspective of sustainable development the answer to this question is clear. The existing model of human progress still fails to deliver an equitable distribution of

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<sup>39</sup> Available at: [http://news.bbc.co.uk/1/hi/programmes/happiness\\_formula/4771908.stm](http://news.bbc.co.uk/1/hi/programmes/happiness_formula/4771908.stm); full survey results are at: [http://news.bbc.co.uk/nol/shared/bsp/hi/pdfs/29\\_03\\_06\\_happiness\\_gfcpoll.pdf](http://news.bbc.co.uk/nol/shared/bsp/hi/pdfs/29_03_06_happiness_gfcpoll.pdf).

wellbeing and runs a serious risk of undermining some of the conditions (a stable climate, the availability of material resources, safe water supplies and so on) on which future wellbeing depends. In this context, the question of whether or not the incumbent model for the pursuit of wellbeing is flawed attains a vital salience. A model for the pursuit of wellbeing which is both unsustainable and fails to deliver in its own terms could be considered morally bankrupt.

More specifically, this challenge applies to the issue of consumption growth. Consumption growth lies at the heart of modern society. It is supposed to deliver increasing wellbeing. But it is also the principal driving force behind the rising environmental impacts associated with modern lifestyles. Sustainable development seeks to reduce those impacts, and so cannot avoid the question of consumption growth. To make matters even more complicated, consumption growth is also closely linked to the stability and structure of modern economies. But in this context, the question of whether or not consumption growth contributes to wellbeing is much more than an interesting academic inquiry. It is directly relevant to whether or not, and under what conditions, it is possible to achieve sustainability.

In short, understanding the wellbeing paradox – understanding the nature of the relationship between wellbeing and consumption growth – emerges as one of the most vital tasks in the pursuit of sustainability.

Interestingly, the literature is replete with attempts to ‘explain’ the wellbeing paradox. Explanations have been sought in a wide variety of different places.<sup>40</sup> There are broadly speaking two main types of ‘explanation’. One set of explanations focuses on psycho-social aspects of the relationship between consumption and wellbeing. Another whole set of explanations is structural in nature, locating the source of the paradox in the particular way in which modern economies are structured and organised. In the following paragraphs I summarise each of these different kinds of explanation very briefly and draw out some of the implications from them.

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<sup>40</sup> For more detailed discussions of this issue see (for example): nef 2004: A Wellbeing Manifesto for a Flourishing Society. London: New Economics Foundation; Layard, R 2005. Happiness – lessons from a new science. London: Allen Lane; The Economist 2004. ‘The Economist Intelligence Unit’s quality of life index’, Economist Online, December 2004: [http://www.economist.com/media/pdf/QUALITY\\_OF\\_LIFE.pdf](http://www.economist.com/media/pdf/QUALITY_OF_LIFE.pdf)

### ***Psycho-social arguments***

In an earlier section, I highlighted the needs-theoretic defence of consumption growth, in which consumption growth is supposed to provide for an increase in the satisfaction of needs and a consequent rise in wellbeing. I pointed to some rather obvious cases in which this link could be made, around subsistence needs and protection needs. I also highlighted the existence of a wide variety of other social and psychological needs in which consumption goods are implicated. But there is a long history of thought which points to a disconnect between material commodities and the satisfaction of these kinds of psychological and social needs.

Humanistic psychologists (and some ecologists and philosophers) have argued that the entire project of consumption growth rests on a misunderstanding of human nature. Far from making us happier, according to this critique, the pursuit of material things damages us psychologically and socially. Beyond the satisfaction of our basic material needs for housing, clothing and nutrition, the pursuit of material consumption merely serves to entrench us in unproductive status competition, disrupts our work-life balance and distracts us from those things that offer meaning and purpose to our lives.<sup>41</sup>

This kind of contention appears to be supported by a further data set relating materialism and materialistic values directly to wellbeing. The evidence on this has been summarised by Tim Kasser in another contribution to this conceptual project.<sup>42</sup> Drawing mainly on psychological scale measures, these data sets suggest that those who hold more materialistic values score less well on scales that measure subjective well-being than those who hold less materialistic values. They also show that people who make deliberate choices to consume less and reduce the material dependency of their lives show higher levels of wellbeing. This may be one of the reasons for an apparent upsurge of interest in 'voluntary simplicity' and 'down-shifting'.<sup>43</sup>

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<sup>41</sup> See, for example: Csikszentmihalyi, M 2000. The Costs and Benefits of Consuming. *Journal of Consumer Research* 27, 267-272; reproduced as Chapter 24 in Jackson, T (ed) 2006. *Earthscan Reader in Sustainable Consumption*. London: Earthscan/James & James. de Botton, A 2004. *Status Anxiety*. Oxford: OUP; Fromm 1976; Wachtel, P 1983. *The Poverty of Affluence – a psychological portrait of the American Way of Life*. New York: The Free Press; Scitovsky, T 1977. *The Joyless Economy*.

<sup>42</sup> Kasser, T 2006. Psychological Need Satisfaction, Personal Well-being and Ecological Sustainability. A report for the New Economics Foundation. London: nef; See also Kasser, T 2002. *The High Price of Materialism*. New York: Basic Books.

<sup>43</sup> Elgin, D 1981. Voluntary Simplicity – towards a way of life that is outwardly simple and inwardly rich. New York: William Morrow; Etzioni, A 1998. Voluntary Simplicity: characterization, select psychological implications, and societal consequences. *Journal of Economic Psychology* 19, 619-643; Hamilton, C 2003. Downshifting in the UK. Canberra: Australia Institute.

This evidence has to be seen in context. It is clear (cf Table 1) that *involuntary* simplicity – forced downshifting – through reduced circumstances, unemployment, bereavement and so on, can be deeply damaging in terms of wellbeing. Limits to the scale of the downshifting movement as a model for the pursuit of wellbeing are simply untested. And yet, at its heart the humanistic critique is saying something instantly recognised and blatantly obvious. More is not always better. Even for pretty basic needs like subsistence, there is no simple linear relationship between the amount consumed and the degree of wellbeing. In fact, the rise of obesity suggests that after a certain point, more and more food is very definitely not better – either for us as individuals or for society as a whole. Obesity is already believed to cost the NHS £1 billion every year.<sup>44</sup>

A further set of psycho-social explanations for the wellbeing paradox revolves around the fact that relative income has a bigger effect on individual happiness than absolute levels of income. If my income rises relative to those around me I am likely to become happier. If everyone else's income rises at the same rate as my own, I am less likely to report higher life-satisfaction. Moreover, if my increase in income causes envy in those around me, my increased satisfaction is likely to be offset by dissatisfaction in others, so that aggregate life-satisfaction across the nation may not change at all. At the aggregate level, according to this argument, a rise in the national income may not be expected to have any significant impact on wellbeing at all.

Others point to the impact of 'hedonic adaptation'. As I get richer, I simply become more accustomed to the pleasure of the goods and services my new income affords me. And if I want to maintain the same level of happiness, I must achieve ever higher levels of income in the future just to stay in the same place. An interesting variant of this explanation has been put forward recently by Avner Offer, an Oxford professor of economic history. Offer's argument is simple but compelling: affluence breeds impatience; and impatience undermines wellbeing. He cites a range of evidence ranging from the availability of household appliances – labour saving devices – to the commoditisation of sexual relationships to show how affluence in the UK has quickened the pace of life, increased time poverty, upset the work-life balance and in the process undermined wellbeing.<sup>45</sup>

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<sup>44</sup> House of Commons Health Committee. Third Report of 2003-04. London: HMSO.

<sup>45</sup> Offer, A 2006. *The Challenge of Affluence – self-control and wellbeing in the United States and Britain since 1950*. Oxford: OUP.

A related understanding of human psychology becomes relevant here: in a society in which visible signals of excess surround us on every side, the potential discrepancy between what we have and what we would like to have grows ever larger. And even as we chase after the most recent symbols of success, the frontier of success is moving ahead of us. A rather significant body of research supports the idea that this kind of discrepancy is psychologically damaging to our quality of life.<sup>46</sup>

Taken together, these psycho-social explanations for the wellbeing paradox suggest a basic misunderstanding of human nature at the heart of the existing model. Yes, in modern society, people do articulate a variety of different kinds of psychological and social functionings through commodities. This may partly be because they are locked into a society in which, as Sen points out, a greater bundle of commodities is required to live 'a life without shame'. But there is sufficient evidence from the human sciences to suggest that this model fundamentally misunderstands what human wellbeing consists in, and in some cases may simply be drawing us into a kind of zero sum game with no real prospect for longterm gains in wellbeing.

### ***Structural Arguments***

In spite of their obvious relevance to the question in hand, these psycho-social arguments are flatly rejected by some observers. But even by such observers, the paradox itself is regarded as serious enough to demand some explanation. And the explanations arrived at are, in some cases, even more radical and more critical of the conventional model than the psycho-social explanations of the paradox.

In a recent attempt to construct an international index of quality of life, *The Economist's* Intelligence Unit put forward what amounts to profound structural critique of the conventional model.<sup>47</sup> Attempting to explain the paradox of diminishing returns to consumption growth, they suggested that 'there are factors associated with modernisation that, in part, offset its positive impact'. Specifically they argued that alongside consumption growth there had been:

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<sup>46</sup> See for example: Michalos, A 1985. *Multiple Discrepancy Theory*.

<sup>47</sup> Economist 2005. Economist Intelligence Unit's Quality of Life Index. London: Economist, January 2005.

'[a] concomitant breakdown of traditional institutions is manifested in the decline of religiosity and of trade unions; a marked rise in various social pathologies (crime, and drug and alcohol addiction); a decline in political participation and of trust in public authority; and the erosion of the institutions of family and marriage.'

Three things are significant about the cultural changes that *The Economist's* Intelligence Unit is drawing attention to. The first is that they involve factors which we know (from the evidence) are closely correlated with wellbeing. The second is that the changes which have occurred in these factors are in the 'wrong' direction; in other words they act to undermine wellbeing. Thirdly, the suggestion implicit in *The Economist* article is that these changes have occurred as a direct result of the modernisation process, based on consumption growth. In other words, the pursuit of consumption growth – a specific model for the pursuit of wellbeing – appears to have systematically undermined some of the conditions (family, friendship, community, trust and so on)<sup>48</sup> on which we know that people's wellbeing depends.

It is clearly worth asking why consumption growth might operate in this way. We already know of course that consumption growth is intimately linked to resource throughput. And that resource throughput threatens environmental integrity. Taken together these features tend to undermine the conditions on which future wellbeing depends. But what is it about consumption growth that is undermining the conditions on which current wellbeing depends? What features of the existing model are responsible for the erosion of family and community, the decline in trust, the collapse of meaning in modern society? And perhaps more importantly, are they inescapable features of the existing model, or can we somehow recover the quality of these underlying conditions of wellbeing, within the existing system?

These questions are vital in addressing the wellbeing paradox. Again, it turns out that we are in an intellectual territory which is hugely complex and has a rather long pedigree. Sociologists and social philosophers have preoccupied themselves with almost precisely the same question for well over a century, ever since Durkheim's careful study of suicide in turn of the century Europe in which he identified forces of alienation aligned specifically with the emerging capitalist model of social

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<sup>48</sup> To this list, we could also have added of course, the environmental impacts associated with consumption growth which undermine longer-term wellbeing.

organisation.<sup>49</sup> And some at least of the answers which have been put forward within this literature are distinctly challenging for the existing model. A key responsibility for undermining wellbeing, for example, has been placed on processes of commoditisation – through which previously public or informal goods and services become the object of commercial markets – and individuation – the gradual separation of people’s individual identities and interests from the interests of the social group.

As many critics of modernity have pointed out, modern economies suffer from a structural need for individualist, consumerist values in order to sustain consumption growth.<sup>50</sup> This structural need arises, specifically, because of the role that consumption growth plays in economic stability. In a system in which the stability of the economy depends on continued consumption growth, it becomes increasingly important to maintain the social and psychological momentum of consumption. The continuing expansion of the market into new areas, and the continuing allegiance of people as consumers to the process appear to be vital.

### **Summary**

In summary, the wellbeing paradox is not a simple argument that consumption growth is unrelated to wellbeing; nor is it a suggestion that achieving wellbeing means abandoning growth. It is a complex set of evidence and arguments rich enough to imply a significant challenge to the conventional model for the pursuit of wellbeing.

Explanations for the paradox have been divided between psycho-social arguments which suggest that aspects of human nature negate or offset the wellbeing advantages of consumption growth; and structural arguments which suggest that consumption growth and increased choice have been accompanied by structural (and cultural changes) which undermine some of the conditions on which wellbeing depends.

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<sup>49</sup> See for example: Durkheim 1903. *Suicide*. Routledge Classics. Durkheim’s study conveys an interesting historical parallel to the modern debate about wellbeing.

<sup>50</sup> See for example Baudrillard, J 1970. *The Consumer Society- myths and structures* reprinted 1998. London: Sage Publications; Bauman, Z 2001. *Consuming Life, Journal of Consumer Culture* 1(1), 9-29; Bauman, Z 1998. *Work, Consumerism and the New Poor*. Buckingham: Open University Press; Douthwaite, R 1992. *The Growth Illusion*. Bideford, Devon: Green Books. Fromm, E 1976. *To have or to be?* London: Jonathon Cape; Illich, Ivan 1977. *Towards a History of Needs*, New York: Pantheon Books.

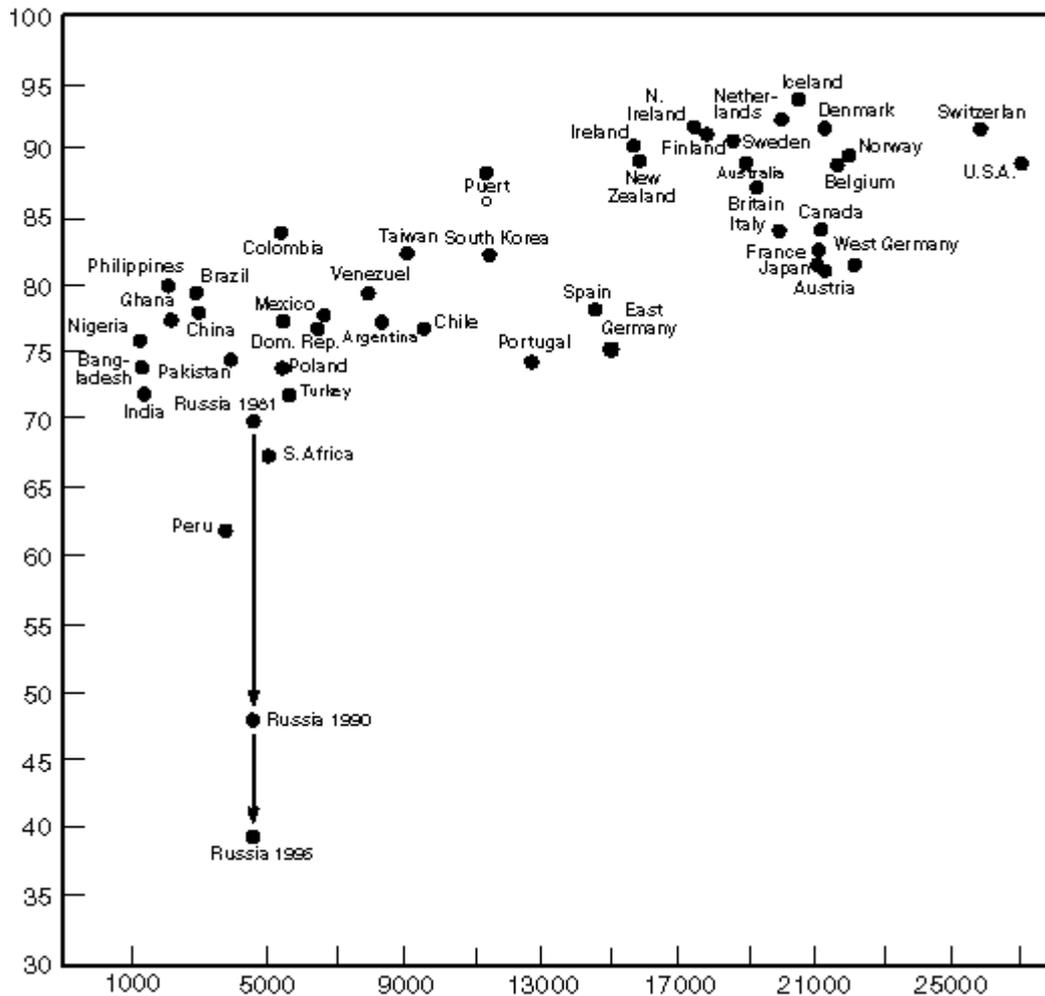
Neither of these arguments can be easily dismissed. Both pose quite severe challenges to the prevailing model and we ignore them at our peril. In particular, we have no way of knowing – without a more robust examination and a coherent measurement framework – how extensive the structural and psycho-social disadvantages of growth are. And consequently, we have no way of guarding against the possibility that a continued pursuit of the existing model might lead to significantly more wellbeing losses – and potentially even to social collapse.

Add to this the concern that consumption growth also undermines the environmental conditions on which long-term wellbeing depends, and there is a powerful argument for a comprehensive policy response to the wellbeing paradox.

### **Responding to the challenge**

Nobody seriously doubts that economic growth of some form is essential to reduce levels of absolute poverty and improve living conditions in the developing world. The evidence in Figure 2 supports a strong correlation between income growth and increased wellbeing at average income levels less than \$7,000. Neither is it easy or sensible to simply abandon existing economic and social structures, as Figure 3 illustrates. During the collapse of the Soviet Union in the late 1980s, the percentage of people reporting themselves happy and satisfied with life as a whole plummeted from over 70% to less than 40%.

All the same, the incumbent model for achieving human well-being faces some pretty severe challenges. Economic growth has relied historically – and continues to rely – on increasing throughputs of material goods and on rising energy consumption. Environmental and resource impacts associated with these throughputs continue to pose a range of local and global problems: burgeoning waste, depletion of finite resources, toxic releases, climate change. Some of these impacts threaten wellbeing now. Others threaten the wellbeing of future generations. Some detract from our own wellbeing. Some improve our own wellbeing but detract from the wellbeing of others. Both the trade-off between positive and negative contributions to our own well-being and the distribution of well-being costs and benefits tend to obscure the simple logic of the conventional model. Its success in delivering (and continuing to deliver) well-being is at stake as a result.



**Figure 3: Subjective wellbeing in Russia 1980 -1995**

(Source: Inglehart and Klingemann 2000, ref 2)

The challenge for sustainable development is therefore immense. We cannot simply abandon the existing model without expecting serious consequences for human wellbeing. Neither can we continue to rely on it. Until now, the principal response to this conundrum has been to attempt successively to 'de-couple' economic growth from material and environmental throughputs: to improve the resource efficiency of processes, to design more environmentally-friendly products, to recycle and re-use more, to talk about (although not really yet implement) product service systems which rely less on the mass production and consumption of products and more on the provision of services.

All of these responses remain vitally important. And to the extent that they can deliver the kind of deep environmental targets implied – for example by the UK Government's 60% carbon reduction target – all well and good. But the evidence that this scale of decoupling is possible and will continue to be possible is not

impressive. Very few absolute reductions in material throughput have been achieved. Certainly, none of these reductions are of a scale required to offset consumption growth of the kind now being witnessed in China and India.

Acknowledging the limits of this strategy, attention is increasingly being paid to people's behaviours and lifestyles in the hope that changing these will 'square the circle' and move us towards more sustainable consumption patterns. There is some evidence that people are increasingly prepared to change. The Sustainable Consumption Round Table found that a 'ground-swell' of public opinion accepted the need for change, and that people were prepared to accept action towards more sustainable living so long as this if this was seen to be fair, and so long as Government and businesses were seen to be leading by example.<sup>51</sup> A 2003 study found the 25% of people between 30 and 59 in the UK had actually made some kind of long-term change in lifestyle that allowed them to improve their wellbeing, even though it resulted in them earning less money.<sup>52</sup>

At the same time, the difficulties associated with changing behaviours and lifestyles are not inconsiderable. It is well-known for example that people are often locked in to unsustainable behaviours by a combination of habit, social norms, 'perverse' incentives and a lack of access to alternatives. It is possible for Government's to take action to address all of these factors. Chapter 2 in the 2005 UK Sustainable Development Strategy sets out a framework of action for approaching this task. But there remains one key obstacle to persuading people to change their lifestyles and reduce their consumption: the structural reliance of the economy on consumption growth.

Once again, the argument comes back to the critical question of consumption growth. Consumption growth is the key to the stability of the modern economy. It is also supposed to be the central pillar of the contemporary model for the pursuit of wellbeing. But the evidence suggests that consumption *per se* is not the principal object of people's aspirations. And explanations for the wellbeing paradox suggest that consumption growth may itself be systematically undermining the conditions on which both present and future wellbeing depends.

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<sup>51</sup> Sustainable Consumption Round Table 2006. *I will if you will*. London: NCC/SDC;  
<sup>52</sup> Hamilton, C 2003. *Downshifting in the UK*. Canberra: The Australia Institute.

Responding to this challenge is intensely demanding. Consumption growth is on the one hand a contributor to wellbeing and the basis for economic stability; and on the other hand, a driver of environmental damage and a detractor from wellbeing. Perhaps the most obvious lesson from all this is that consumption growth cannot be either fully embraced or fully dismissed with impunity. There is no quick win. In the final few paragraphs, I suggest six key avenues which merit further exploration as the basis for getting beyond the wellbeing paradox.

### **Creating Political Space**

Creating the political space within which to address the wellbeing paradox has to be first base for any serious strategy to get beyond it. There are signs that this space is beginning to emerge. *Securing the Future* has already created the basis for discussion, by bringing the issue of wellbeing into the foreground, reviewing the evidence and addressing the question: what would policy look like if wellbeing were its focus. The current media and policy debate also suggests that the willingness to engage in the issue is rising. It is now time to bring the question to the forefront of government policy and to establish truly cross-department initiatives which address the relationship between consumption growth and wellbeing from every angle.

### **Exploring the evidence**

The first task in this initiative must be to explore in more detail the complex relationship between consumption growth and wellbeing. This exploration must strive to identify in particular the 'difficult areas' – where relationships are ambiguous and outcomes uncertain. What are the forces that appear to be undermining wellbeing, in spite of consumption growth? What is the impact of commoditisation on wellbeing? What is the impact of individualisation on wellbeing? How can the negative influences of modernisation be minimised, without destroying the stability of the social and economic structure? These are all essential questions for a new politics of wellbeing.

### **Measuring what matters**

One thing is clear, a single-minded pursuit of consumption growth risks ignoring these issues and driving society into uncertain and perhaps dangerous territory. It is vital to be able to measure what matters; to adjust existing performance indicators where they run the risk of delivering perverse wellbeing outcomes; to develop new indicators that measure wellbeing – and the components and conditions of wellbeing - directly. *Securing the Future* established a key principle by referring to a sustainable economy as the *means by which* we can deliver a strong, healthy and

just, society within environmental limits. This principle recognises that success in economic terms is not an end in itself. It is only valuable in so far as it delivers the society we want. Measuring success in that goal is critical if wellbeing is not just to be an empty dream.

### **Test policies against measures**

There is no point, of course, in having a whole set of fancy new indicators if these are never used to guide and inform policy. Policies, spending decisions, institutional arrangements and regulatory frameworks must all be tested against the criteria established by a suite of wellbeing indicators. Without such reflexivity, it is unrealistic to expect a renewed emphasis on wellbeing to make any difference.

### **Protecting public and social spaces**

There is already a considerable evidence base suggesting that some at least of the processes of modernisation carry adverse wellbeing impacts. The commoditisation of previous public goods and services, the loss of trust in the community, the decline in family stability; the upsetting of work-life balance; the acceleration of lifestyles, social expectations and patterns of living; the gradual erosion of public and social spaces: all these factors are likely to undermine wellbeing. Protecting such spaces and creating new spaces which lie outside the realm of the commoditised marketplace are likely to be vital elements in reclaiming the wellbeing dividend which has gone missing from affluent economies.

### **Creating the space for vision**

Finally, it is clear that people need vision. One of the first casualties of a faltering economy is the loss of a clear sense of progress. This sense of progress is an important moral and motivational element in our lives. But the current vision is flawed. And a cultural abdication from alternative sources of meaning and purpose in our lives is potentially the most disruptive element in modernity growth. Establishing alternative visions is essential. Such visions cannot be mandated by government. But governments can create the space in which they can emerge. This is the new challenge for sustainable development, the new challenge for governance: to address openly the potential failings at the heart of modernity and to create the space for change.