

# **Growth, De-growth, and Happiness**

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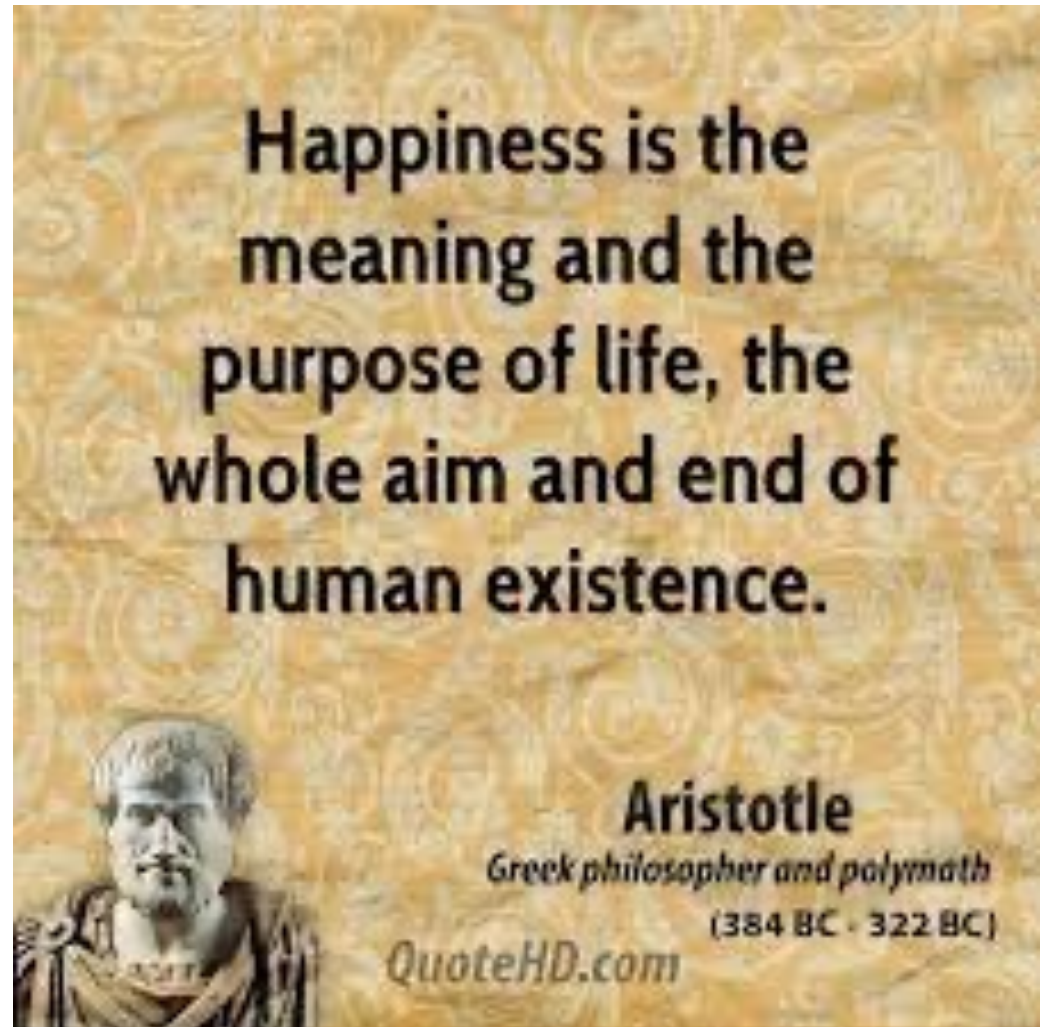
Sorbonne University  
and Paris School of Economics

# **Foreword**

## **Why Measure Happiness?**

# It is the ultimate goal

- (as opposed to all the other – intermediate- goals)





# Governnements care about it

*“... the gross national product [...] measures everything in short, except that which makes life worthwhile ...”*

*George Kennedy, University of Kansas,  
March 18, 1968.*

- Government measurement initiatives:
- UK *Well-being program*
- New-Zeeland: *Well-Being Budget*
- OECD : *Better Life Index*
- United Nations: *Human Development Index*

# People write about it

*Source: Ngram (Google's corpus of books)*

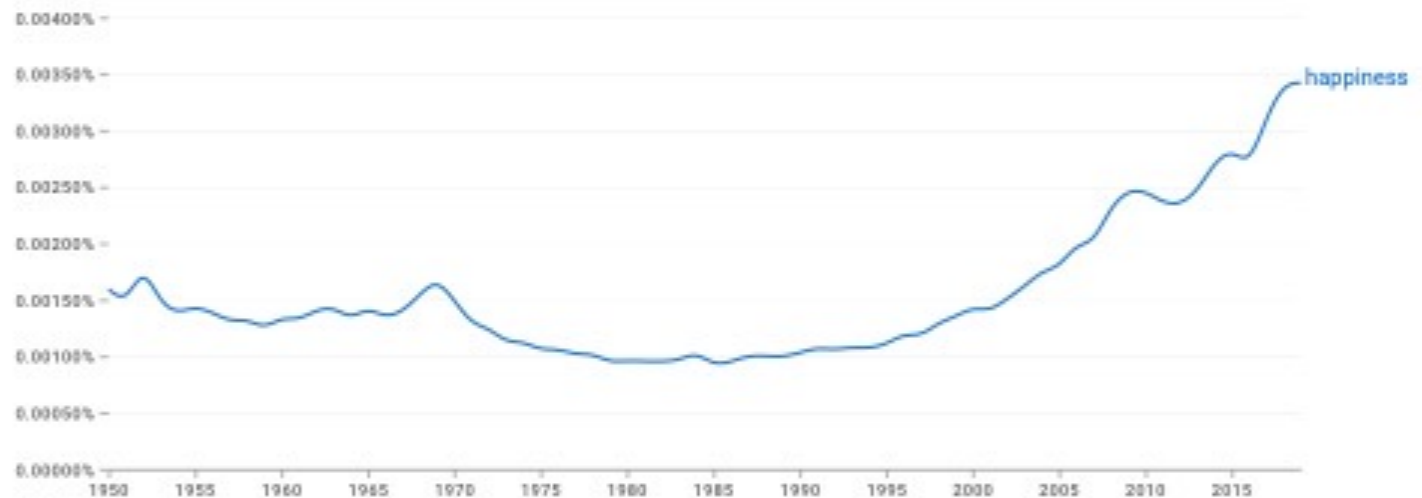
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Google Ngram Viewer

Google Books Ngram Viewer

Q happiness X ?

1950 - 2019 English (2019) Case-insensitive Smoothing of 0



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# People write about it **since the 18th century**

*Source: Ngram (Google's corpus of books)*

Google Books Ngram Viewer

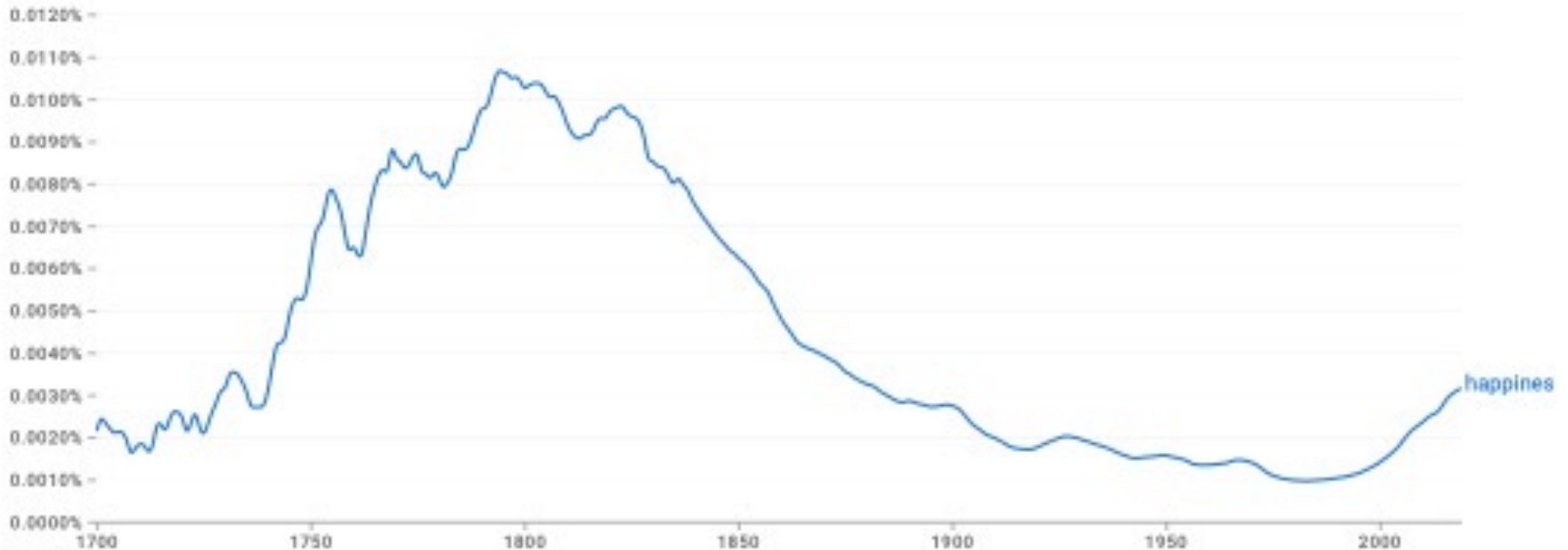
Q happiness

1700 - 2019 ▾

English (2019) ▾

Case-Insensitive

Smoothing ▾



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# Metrics of Subjective Well-Being

- **Life satisfaction:** *“All things considered, how **satisfied** are you with your life as a whole nowadays?”* (0 - 10 scale)
- **Happiness:** *“Taking all things together, how **happy** would you say you are?”* (0 “Extremely Unhappy” -10 “Extremely Happy”).
- **Positive and negative emotions yesterday:** *laughter, enjoyment, and learning or doing something interesting / worry, sadness, and anger*
- **Meaning:** *“Overall, to what extent do you feel the things you do in your life are worthwhile?”*

**I. What (measurable things) makes  
people happy?**



# Main lessons from the World Happiness Report (WHR) and Research

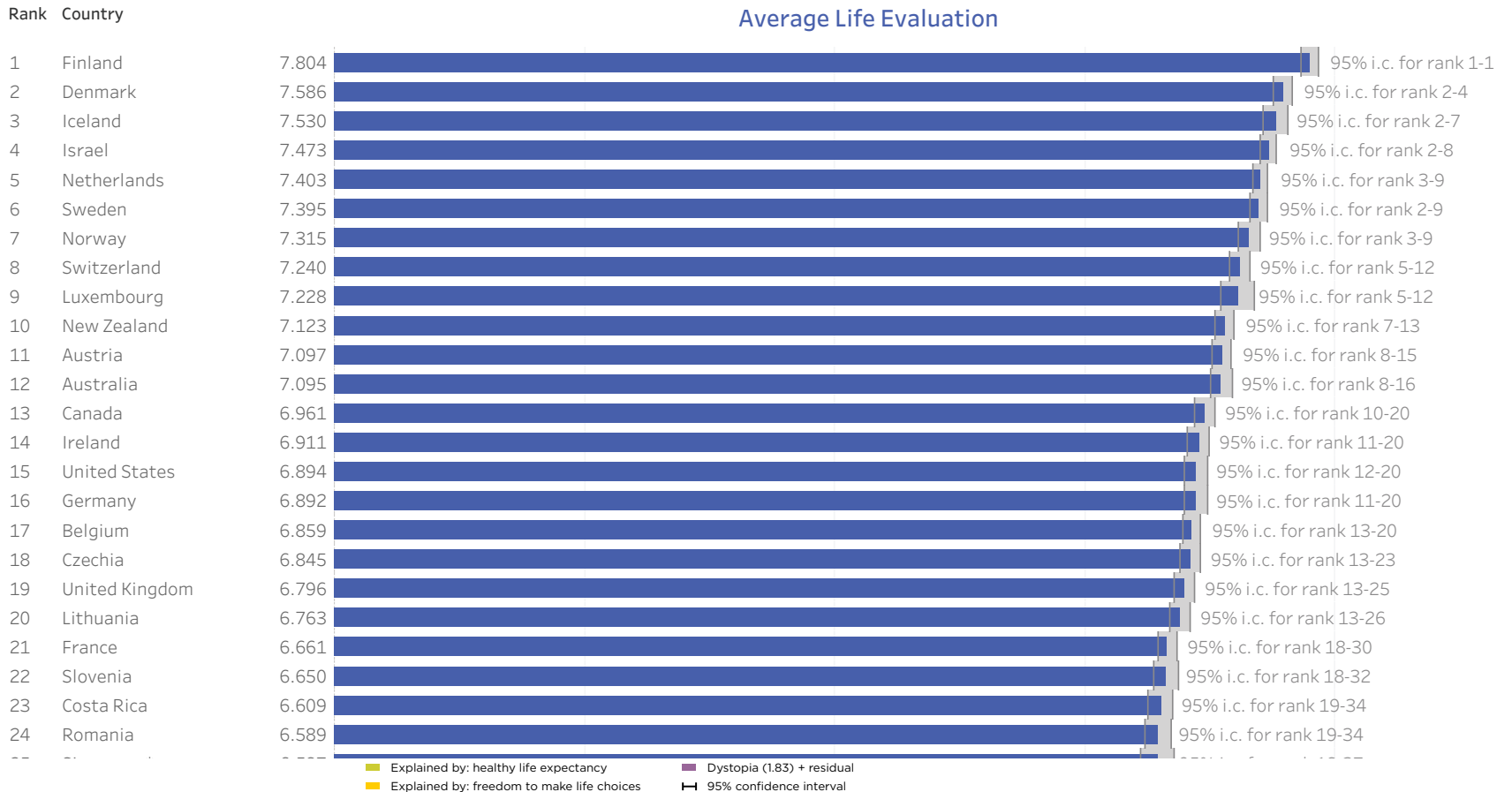
- WHR since 2012
  - Columbia University, London School of Economics, and CIFAR (the Canadian Institute for Advanced Research)
- Source: the **Gallup World Poll** (yearly since 2005).

# WHR: What explains cross-country differences in happiness?

- **1) Social support (30%)**
  - *“If you were in trouble, do you have **relatives or friends you can count on** to help you whenever you need them, or not?”*
- **2) GDP per capita (26%)**
- **3) Healthy life expectancy (19%)**
  - from the World Health Organization
- **4) Freedom (13%)**
  - *“Are you satisfied or dissatisfied with your freedom to choose what you do with your life?”*
- **5) Generosity (7%)**
  - *“Have you donated money to a charity in the past month?”*
- **6) Governance (non-corruption) (4%)**
  - *“Is corruption widespread throughout the government in this country or not?”* and *“Is corruption widespread within businesses in this country or not?”*

## WHR 2023

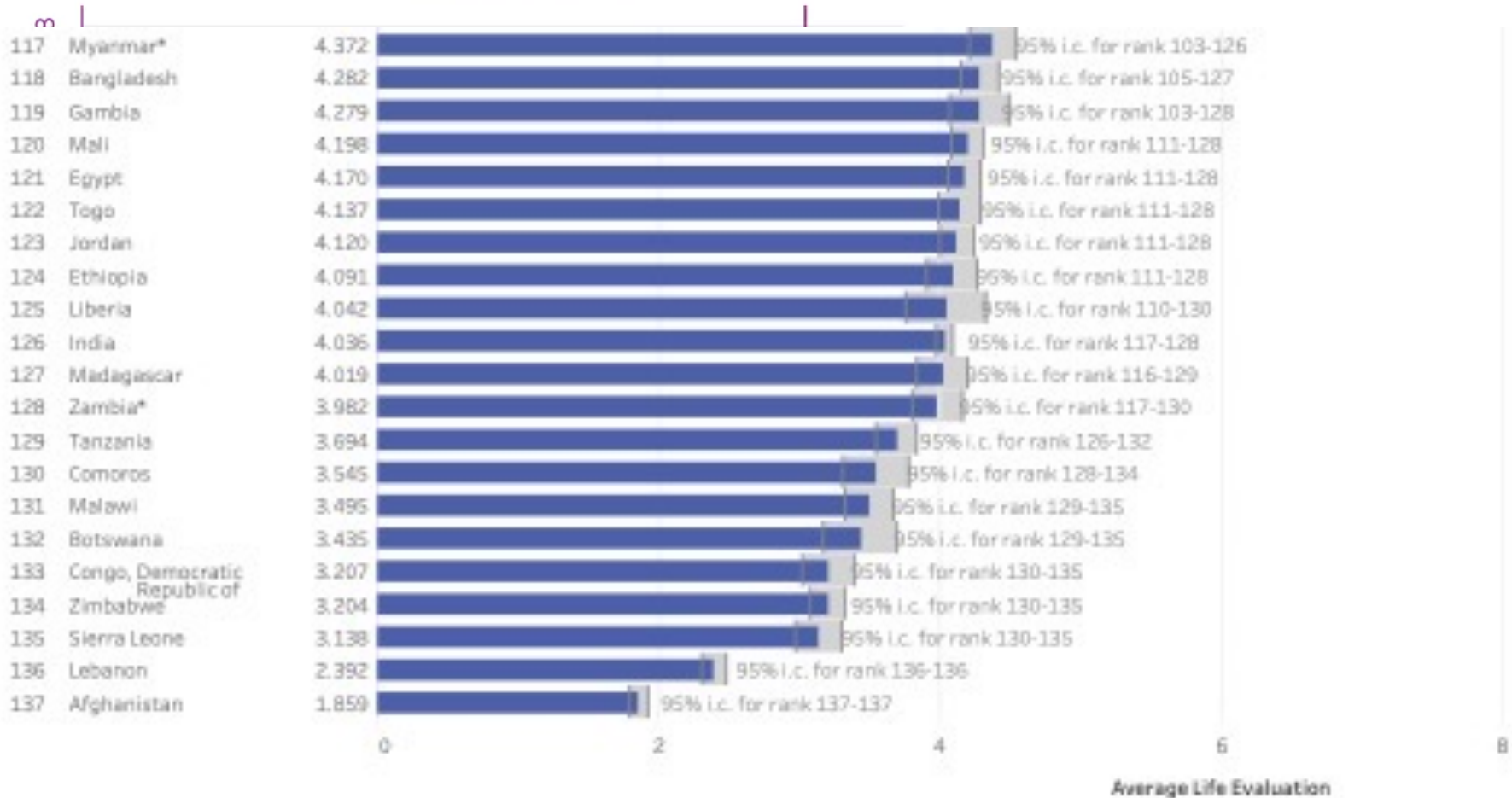
Figure 2.1: Ranking of Happiness based on a three-year-average 2020–2022 (Part 1)



# Bottom WHR 2023

Happiness, Benevolence, and Trust During COVID-19 and Beyond | The World Happiness Report

## Cantril Ladder



# Other **Macro Factors**

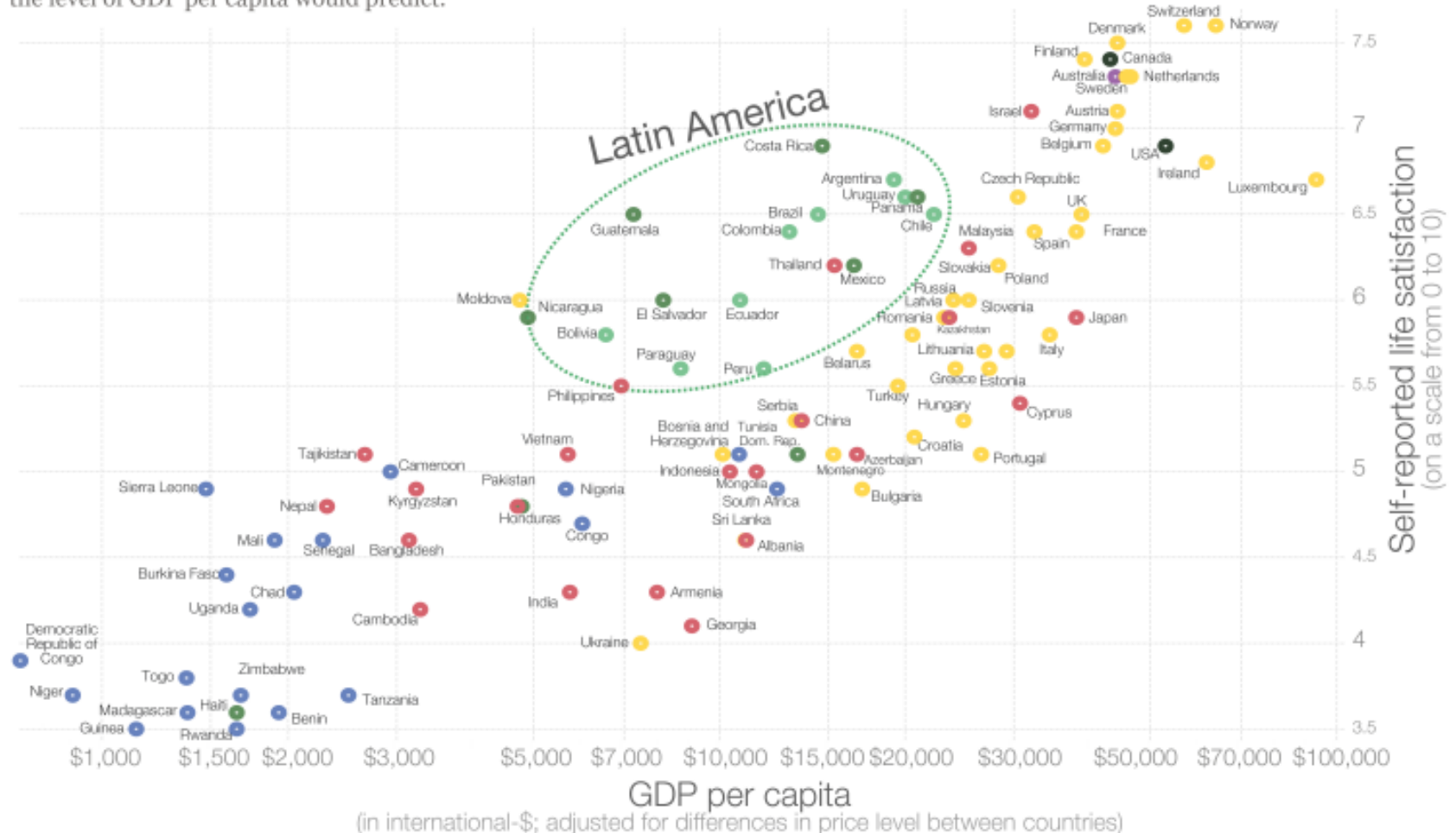
- Trust and social capital
- Inequality and social mobility
- Environment
- Cultural differences

# Cultural Differences

## Self-reported life satisfaction vs GDP per capita, in 2015

Our World  
in Data

The color represents the continent of the country. People in many Latin American countries report higher life-satisfaction than the level of GDP per capita would predict.



Data sources: World Bank for GDP per capita; Gallup World Poll for self-reported life satisfaction.

The data visualization is available at [OurWorldinData.org](https://ourworldindata.org). There you find the research and more visualizations on this topic.

Licensed under CC-BY-SA by the author Max Roser.

# The Case of Governance

(WHR 2023- chapter 3 -*Well-being and State Effectiveness*, Besley & Persson )

- State effectiveness. State capacity:
    - *Fiscal capacity* : levy taxes to finance to finance universal public goods
    - *Collective capacity*: → deliver public services. Avoid civil war and repression, establish peace and justice
    - *Legal capacity*: impose rule of law
- Index of Pillars of prosperity correlated with happiness

# Other Individual Factors

- Jobs
- Autonomy, control
- Prospects for progression
- Meaning

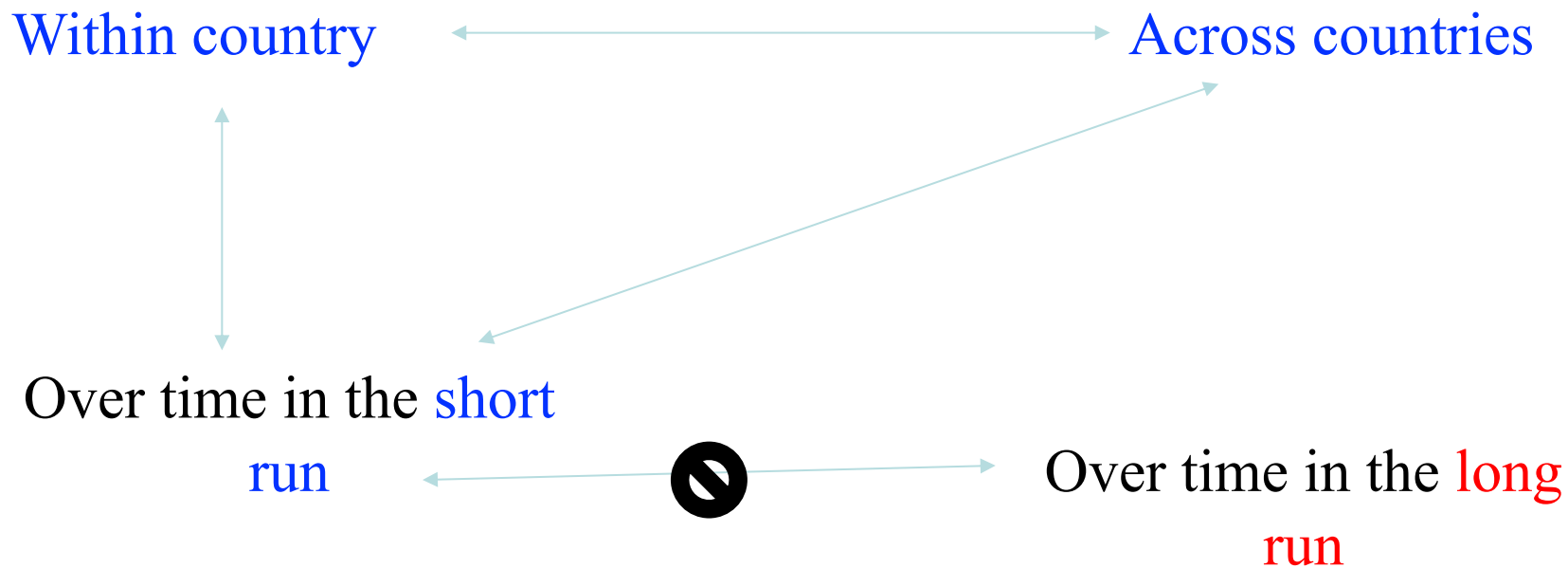


## **II. Growth without Happiness?**

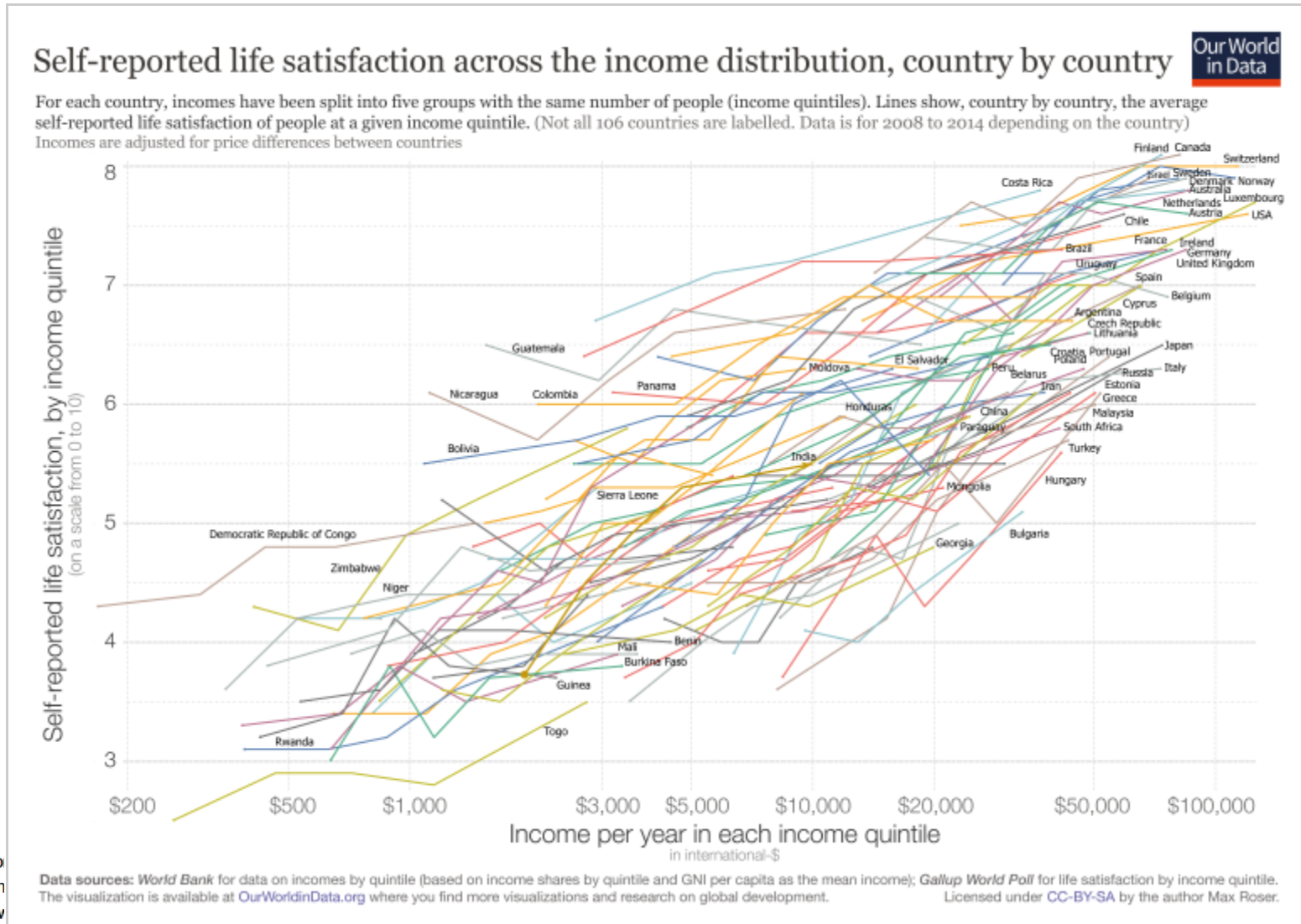
# The Easterlin paradox: stylized facts

- Paradoxical relationship between income growth and subjective happiness:
  - Within country
  - Across countries
  - Over time in the short run
  - Over time in the long run

# The relationship between income and subjective well-being



# 1) In a given country, richer individuals are happier and more satisfied with their lives



Gallup question was on a ladder representing the bottom of the ladder represents the lower the step the

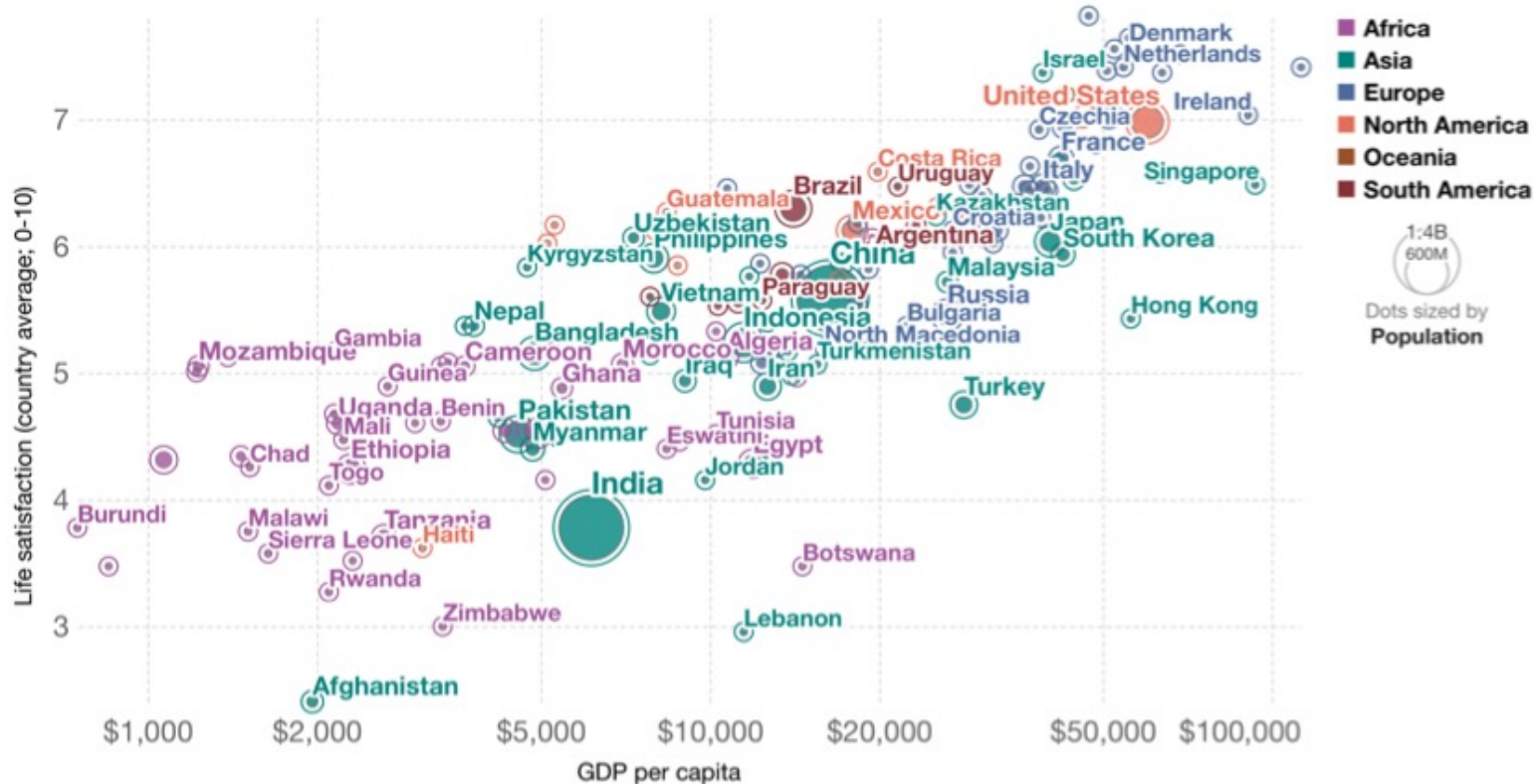
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# 2) People are happier and more satisfied with their lives in higher-income countries

## Self-reported life satisfaction vs GDP per capita, 2020



The vertical axis shows the national average of the self-reported life satisfaction on a scale ranging from 0-10, where 10 is the highest possible life satisfaction. The horizontal axis shows GDP per capita adjusted for inflation and cross-country price differences.



### 3) Happiness is very sensitive to the business cycle

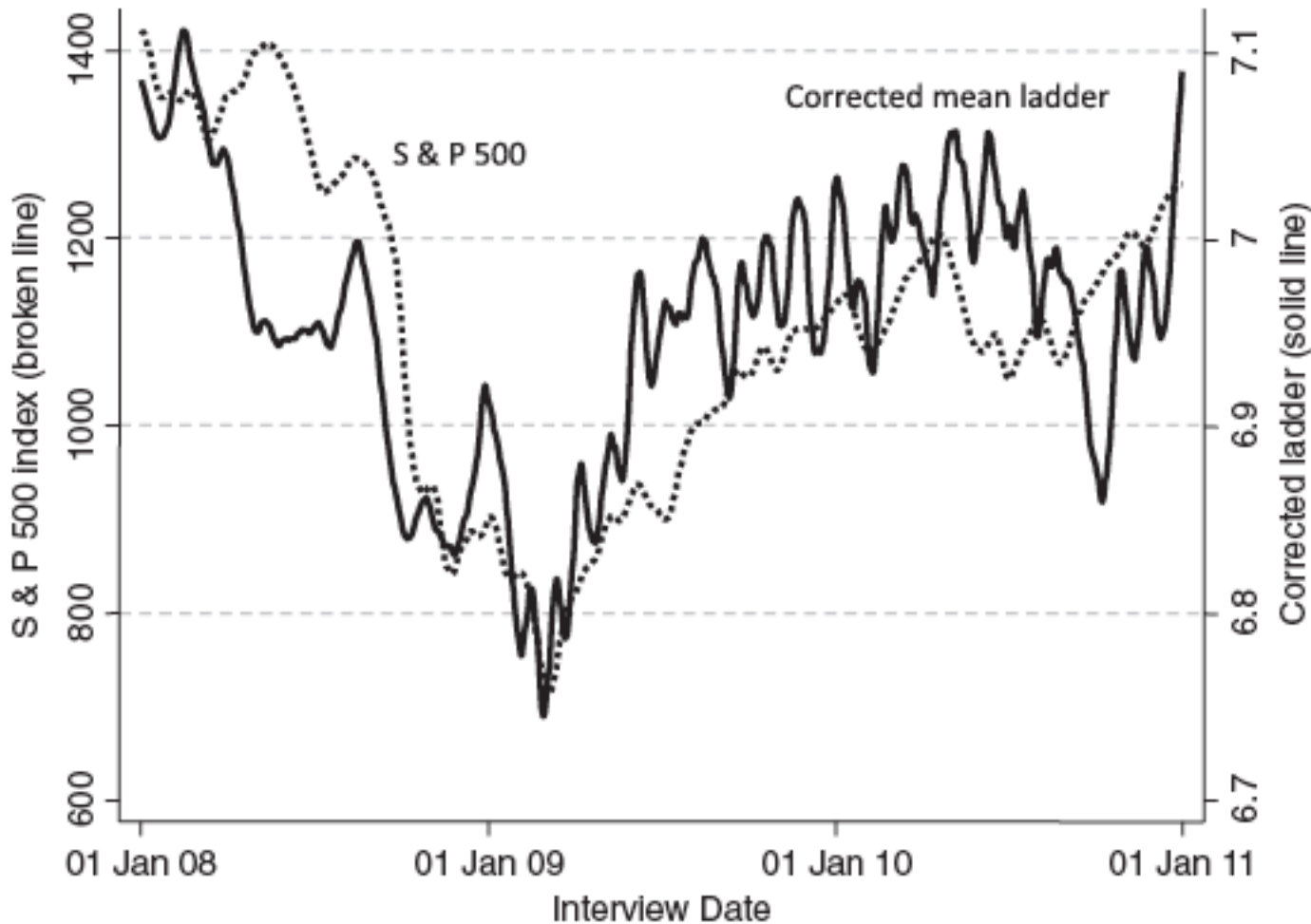
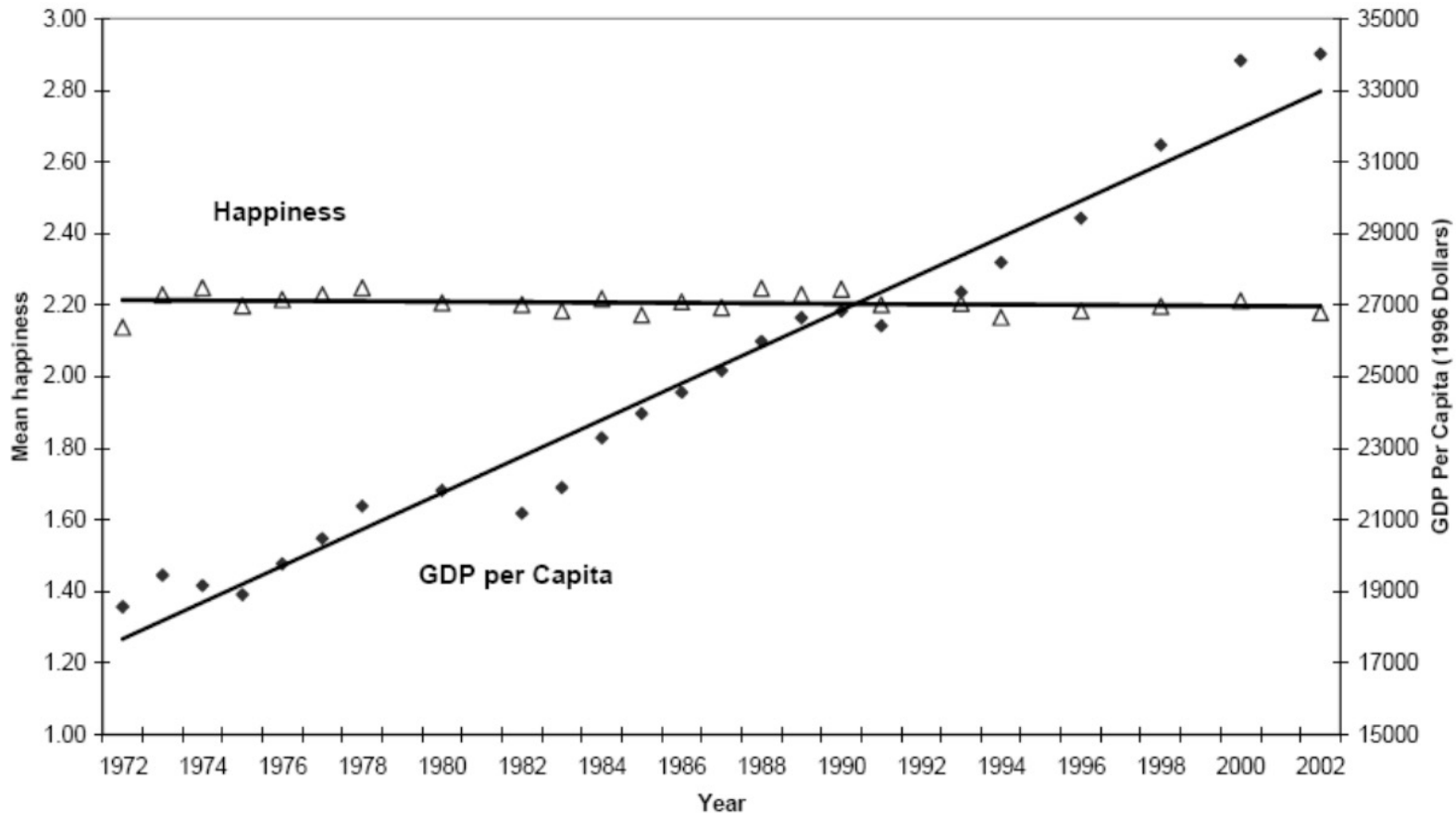


Fig. 10 Corrected mean ladder and S&P 500 index.

Angus Deaton  
(PNAS, 2011)  
The Financial Crisis  
and the Well-Being of  
Americans

# 4) But in average, on the long run, people do not become happier over time, when national income increases

Happiness and Real GDP per Capita, United States, 1972-2002 (Easterlin and Angelescu, 2007)

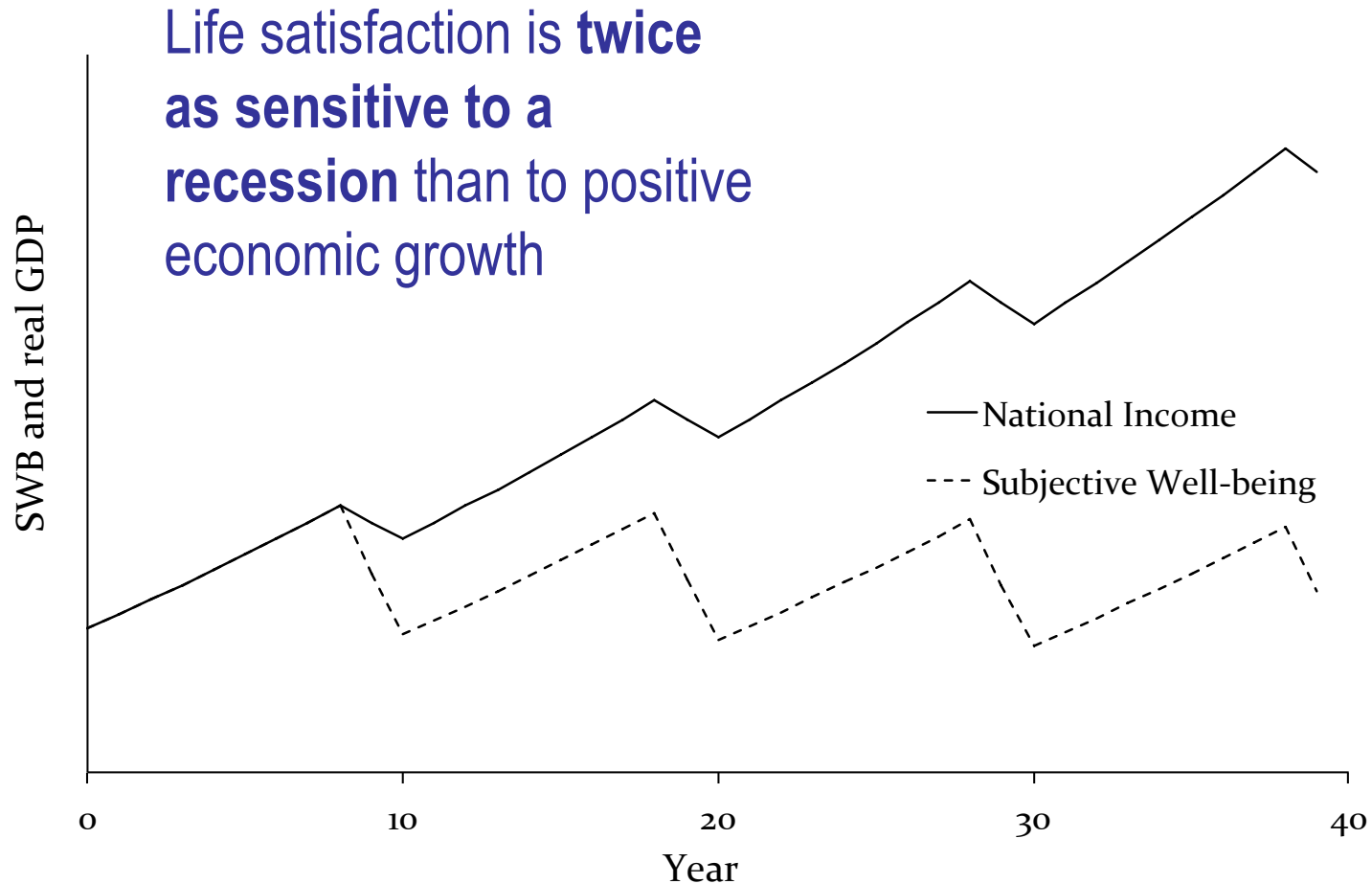


## **III. Possible explanations**



# 1) Loss-Aversion

Figure 2: Theoretical representation of the asymmetric experience of positive and negative growth over the business cycle



## 2) Adaptation

Leyden school (van Praag, Kapteyn, 1970)

✓ **“Minimum income question”**: *“What household income per month would you consider an absolute minimum in order to make ends meet and without running into debt even if you reduce your needs to a minimum? (We do not only mean housekeeping allowance but all essentials, including insurance, rent, taxes and so on).”*

→ A \$1 increase in household income leads to a 60 cents increase (within about 2 years) in the income that individuals consider to be ‘a minimum.

✓ Hence, 60% of the welfare effect of income is dissipated **ex post** by adaptation and higher aspirations of agents.

# Adaptation

- *“Material aspirations increase commensurately with income, and as a result, one gets no nearer to or farther away from the attainment of one’s material goals, and well-being is unchanged” (Easterlin, 2003).*
- *“People [...] project current aspirations to be the same throughout the life cycle, while income grows. But since aspirations actually grow along with income, experienced happiness is systematically different from projected happiness.*
- *Consequently, choices turn out to be based on false expectations”.*  
Easterlin (2001, 2003).

### 3) Comparisons

- People care only about relative income, not the absolute level of income.
- (Also true for many dimensions of life, not only income)
- Prospect theory (Kahneman and Tversky)

**So, let's de-grow?**

# De-growth without Misery?

- Hypothesis: if economic growth does not make people happy, degrowth should not make them unhappy
- Ecological constraint: stop global heating
  - → Degrow or develop green technology

# Adapting to Climate Change

- Strong negative impacts of the current upsurge of inflation on people's subjective well-being.
  - The loss of purchasing power
  - Rise in the price of energy = mega carbon tax.
- Prefiguration of what fighting climate change will do to well-being if it implies an attack on our living standard.

# Adapting to Climate Change

- Or... the fight against climate change may also trigger a new cluster of innovations that would sustain a new cycle of growth.
  - green energy, electricity connection, hydrogen, etcetera.
- This would not lead to a reduction in living standard, but on the contrary, on a new growth cycle.



# Adapting to Climate Change

- Let's consider the pessimistic scenario
  - Green technology innovations too slow
  - societies have to cut down on their production and consumption in order to reduce carbon emission.

# De-Growth without Misery?

- Adaptation => one time shock
- Comparisons => de-growth for whom?
- Absolute versus relative
  - it is still controversial how much the happiness effect of growth is purely due to relative concerns or adaptation. If you think about life expectancy, child mortality or health- all things that we care about, they are super correlated with GDP per capita.
- Voluntary sobriety
  - people who change their mobility or eating habits are more satisfied with their life
- Taste for progression versus degrowth

# Consumption versus Consumerism

- Utility (**consumption**, leisure)
  - Consumption = purchasing **power** d'achat, power of command on good and services, power of choice. Feeling of existing.
  - Consumption = comfort. One of the ingredient of happiness (comfort and excitement)
- Consumerism= way of life whereby we derive a very large part of our pleasure from market consumption, with fast consumption, fast rate of replacement of all goods and appliances, a culture of throwing things away instead of repairing them, rapid **obsolescence**
  - Throw things away instead of repairing them

# Growth without Consumerism

- Moving away from consumerism
- Substitute **Investissement** goods to standard consumer goods.
  - **Standard consumer goods** = subject to adaptation : time and quantity reduce pleasure. Decreasing marginal utility of consumption.
  - **Investment goods**: time and quantity increase pleasure. Positive addictions.
    - Require initial investment in the form of training, learning, creating habits like playing music.
    - Self-reinforcing, positive emotions of investment goods.

# Consumption versus Consumerism

- Utility (consumption, **leisure**)
  - The importance of time-use
  - Think about commodities = time + market goods instead of goods versus leisure (Gary Becker)
  - Consider time use as a source of utility *per se*
    - For example: taste for diversity
  - What to do with one's time? Does AI save us some time for a better use?

# Conclusion

- Change the nature of growth
  - Because of ecological constraint
  - In order to be happier
  - Decarbonize happiness and consumption