

On the Interface Between Happiness, Income and Degrowth

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Outline

1. Growth, degrowth and happiness
2. On the interface between degrowth and happiness: some definitions and hypothesis
3. Income decrease and happiness: empirical evidence from Barcelona
4. General considerations on degrowth and happiness

Growth has failed

* **Environmentally**

Growth lead to an overexploitation of resources, a transgression of the safe operating boundaries of our planet (*Rockström et al., 2009*) and global biocapacity

A 20-fold decrease of carbon intensity needed to meet IPCC targets (*Jackson 2009*)

Absolute decoupling remains a myth (*Dittrich, Giljum et al. 2012*)

* **Socially**

Growth associated with an increase in economic inequalities

* **Economically**

Finance-lead economic growth has become 'uneconomic' (*Dali 2009*)

Growth: not a solution...but the problem

Going out of the crisis using with the same instrument as the one which created is like pouring water in a bottomless barrel.

Considering **degrowth**, as an analytical frame and **as a transition to sustainability** is difficult to avoid.



Degrowth as a transition to sustainability

Degrowth can be understood many ways (*Demaria et al. 2013, Latouche 2009*)....

From an ecological economics perspective: as an equitable reduction of the capacity to extract and process resources, resulting from a participative process

From an anthropological perspective: as a challenge to the hegemony of economic growth as an overarching objective of society.
Or as a challenge to the idea of *trade- and technology-led development*, as a primary objective for public policy;
As a voluntary simplification of life.

**What would degrowth imply for
well-being/happiness?**



Happiness

Philosophically:

- * Hedonic tradition (*Kahnemann, Diener & Schwartz, 1999*)
- * Eudaimonic approach (*Ryan & Deci, 2001*)
- * Happiness as a side effect of good life (*Frey 2007*)

Empirically:

- * Happiness as a multidimensional construct (*Van Praag & Ferrer-i-Carbonell, 2004*).
- * Measuring approach: self-reported happiness (“*How satisfied do you generally feel with your life*”, answers on a scale from 0 to 10.)

On the interface between degrowth and happiness: some hypothesis and theoretical insights

The Easterlin Paradox (EP): or the lack of relation between (average) income growth and happiness over time (*Easterlin 2013* versus *Sacks et al. 2012*)

General explanation for the EP:

- * social comparison (relative, rather than absolute, income matters)
- * adaptation mediates, or cancels-off, the happiness gains associated of income increase.

If social comparison and adaptation mediate/cancel the effect of income growth on happiness what would this imply for degrowth?

Income decrease and happiness

Two hypotheses

1: If increasing the income of everyone does not increase the happiness of everyone (*Easterlin 2005*), reducing the income/consumption of everyone (equitably) might not reduce the happiness of everyone?

2: If well-being tends to adapt to income increases (*Diener and Diener 2002*), perhaps it adapts to income decreases (as long as basic material needs are still provided).

Empirical tests of hypotheses 1 and 2: Do social comparison and adaptation mediate the happiness effect of income/consumption reduction

An independent survey administered in 2011 among 950 individuals in Barcelona in the context of the economic crisis in Spain (*Sekulova and van den Bergh, 2013*)

Face-to-face interviews, randomly selected houses, all city districts

Final sample size: 840, representative (age, gender and neighbourhoods)

Descriptive statistics: highlights

22% of individuals with “flexible” working conditions, 9% of sample have recently entered in unemployment

* A decline in average incomes by 2% over the last year, and by 5 % over the last two years

However consumption patterns still high:

- * 46% of the sample buy clothes every 6 months
- * 34% purchase electronic equipment every year
- * 18% purchase a piece of furniture every year
- * 9% buy a new car every five years

Testing hypotheses 1 and 2: do social comparison and adaptation mediate the happiness effect of income/consumption reduction

Theoretical approach:

Use standard econometrics to estimate how life-satisfaction changes with reduction of income, while controlling for

- * gender, age, marital, health, and employment status,
- * free time activities, environmental awareness, social interactions,
- * consumption habits and temperament.

Key results

- * *Sharing* contributes positively to life satisfaction.
- * *Overworking* is associated with substantially lower levels of life satisfaction.
- * Recent entry in unemployment decreases happiness.
- * Having a lower income in the present year (2011) in comparison with last year ago is associated with a higher level of life satisfaction.

Hypothesis 1: does social comparison mediate the happiness effect of income/consumption reduction?

Possible explanations for the positive relation between recent income reduction and subjective well-being:

- * Basic needs are still served (people have some savings available during the first year of income reduction)

- * Declining income aspirations?

Income aspirations might have *decreased* together with the incomes of reference groups.

A point for further research.

Hypotheses 2: does happiness adapt to income/consumption reduction?

Barcelona study: people adapt to income decreases: little or no effect on happiness if income reduction takes place more than two years ago. (Same hold for income increase)

Found in other studies: *Di Tella et al. (2004), Ferrer-i-Carbonell and van Praag (2008)*

In sum: implications of the Barcelona study

Reduction of income and consumption need not have a negative imprint on happiness, even in the context of a crisis. Especially if:

- * It allows for compensatory life-style changes, freeing time for the activities one considers meaningful and more rewarding social interactions (sharing)
- * It is associated with a reduction of working time.
- * It is widespread and creates an overall reduction in income aspirations, reference income and rivalry-based consumption.
- * It is not associated with entry in unemployment.

Relevance for degrowth

Degrowth is not a call for

- * austerity measures (consuming less in a society based on growth),
- * nor for expansionist public policies (green growth),
- * but rather for setting societal goals taking into consideration the human dimension (social capital) and environmental limits first.

This implies a combination of measures and proposals, which cannot be taken in isolation.

General considerations regarding degrowth and happiness

There are indications in the happiness literature that improvements in

- * health status,
- * free time,
- * state of the urban environment,
- * the quality of social relations

translate in permanent and positive increase in well-being.

→ Unlike changes in the monetary domains (income, consumption), which tend to have a transitory effect.

General considerations on degrowth and happiness: examples

* The quality of the air, the level of the noise in urban set-ups, the state of the biodiversity and spending time in natural environments positively contribute to happiness (*MacKerron and Mourato 2009 and 2013, Brereton et al. 2008, Welsch 2007, Smyth et al. 2008, van Praag and Baarsma 2005*)

* Volunteering associated with better health and higher levels of happiness (*Jenkinson 2013, Borgonovi 2008*)

* Economic growth often goes at the cost of social capital, while social capital is key for happiness (*Bartolini et al.*)

General considerations on degrowth and happiness

Thus many of the proposals in the analytical frame of degrowth could have a zero, or even positive effect on well-being, if:

- * reduction of paid working hours goes along with an increase of personal free time and autonomy;
- * reduction (& sharing) of paid work is compensated by a decrease in income inequalities;
- * increasing the time dedicated to community/volunteer work is compensated by an increase of relational goods;
- * downscaling fast modes of transportation - by the increase in the time available for traveling;
- * reduction in luxury goods consumption/comfort levels by increases in social capital (sharing and convivial experiences).

General considerations on degrowth and happiness - conclusions

If degrowth policies and practices lead to:

- * improvements in social capital, urban and natural environment, human health,
 - * an increase in free time, or the amount of time spent on activities one considers meaningful,

Or if degrowth stirs an improvement in the determinants of happiness to which adaptation is limited

→ its impact on subjective well-being is likely to be lasting and positive.

Thank you!

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Annex: results



Life satisfaction (2011)	Model 1	Model 2	Model 3	Model 4
Female	0,23**	0,21**	0,21*	0,25**
Age	-0,01**	-0,01**	-0,01**	-0,01**
Age65	-0,03	-0,05	-0,08	0,10
Separated	-0,65***	-0,67***	-0,68***	-0,60***
Flexible work	-0,30**	-0,26**	-0,25**	-0,27*
Unemployed				-0,31
Start unemployment	-0,58**	-0,45**	-0,39**	
Doctor visits	-0,06**	-0,05**	-0,05**	-0,05**
Spiritual activities	0,13***	0,14***	0,14***	0,13***
Sport	0,07**	0,07**	0,07**	0,07**
Ecological consumption	0,30**	0,29**	0,28**	0,27**
Share	0,27**	0,27**	0,27**	0,24**
Angry	-0,37***	-0,37***	-0,36***	-0,38***
W... ..	0,26***	0,26***	0,26***	0,25***

Continued	Model 1	Model 2	Model 3	Model 4
Log Income 2011	0,16**	0,12	0,10	0,06
Income_de-1 [2]	0,38**			
Income_de-2 [3]		-0,02		
Income_de-5 [4]			-0,18	
Furniture-purchase				0,09*
Car-purchase				0,21**
_cons	7,86	8,14	8,23	8,11
<i>R-squared</i>	0,21	0,21	0,21	0,21
<i>Adj.R-sqrd</i>	0,20	0,19	0,19	0,20
<i>Numb. obs</i>	808	808	806	794