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THE OPTIMAL MATERIAL THESHOLD

Toward an economics of sufficiency

He who knows he has enough is rich.
– Lao Tzu

1. Introduction

Increasing material wealth has been, and remains, one of the dominant goals of humankind – perhaps *the* dominant goal, even if for most people historically it was a goal that would never be realised. Given the extremely low material standards of living endured by most people throughout history, and indeed, by great multitudes around the world even today, the desire for more wealth is hardly surprising. When people are hungry, they understandably desire more food; when people are cold, warmer clothing and adequate housing are critically important; when people are ill, they naturally want access to basic medical supplies, etc. In conditions of material destitution, the pursuit of more material wealth seems wholly justifiable.

But what about those of us in the highly developed regions of the world who generally have our basic material needs for food, shelter, clothing, etc., adequately met, and who even have some discretionary income to purchase things like alcohol, microwave ovens, non-essential clothing, take-out food, movie tickets, books, and even the occasional holiday? In these relatively comfortable material circumstances, is more material wealth a goal for which we should still be striving? Or should we now be dedicating more of our time and energy to other, less materialistic pursuits? In other words, when it comes to material wealth – money, possessions, assets, etc.

– how much is actually needed to live a meaningful, free, and happy life?

These questions are of the highest importance, today more than ever before. At a time when Earth's ecosystems are already trembling under the weight of overconsumption (Turner, 2012), increasing the consumption levels of those who are already materially well off seems to be a highly questionable objective, despite it being an objective whose legitimacy is widely taken for granted. Furthermore, the extent of global poverty strongly suggests that the wealthier sectors of the global population (say, the richest one billion people) should restrain their consumption in order to leave more resources for those in much greater need. This is especially so given that the global population is expected to exceed nine billion by mid-century. We could call these the 'ecological' and 'social justice' arguments for consuming less.

In recent decades, however, a large body of sociological and psychological research has emerged which indicates that people living high consumption lifestyles might actually find that *it is in their own, immediate self-interest to consume less*, irrespective of the moral arguments for reduced consumption. Given the urgency with which overconsuming societies need to reduce their consumption, an argument from 'self-interest' should be taken very seriously indeed, for the reason that such an argument may prove to be more persuasive than more 'moralistic' arguments. On that basis, this chapter explores whether, or to what extent, it is in the self-interest of people in the global consumer class to voluntarily embrace lifestyles of reduced and restrained consumption. This will strike some people as a counter-intuitive hypothesis, at best, but it will be seen that the evidence indicates that such an intuition may well be based on false assumptions.

The analysis begins by reviewing the empirical studies that have examined the correlation between income and self-reported happiness. While the scholarly debate is not conclusively settled, the weight of evidence suggests that once people have their basic material needs adequately met, the correlation between income and happiness begins to fade. Put otherwise, there comes a point where rises in income become less important as means of increasing wellbeing, and other features of life, such as more meaningful employment, more leisure time, and more social engagement, become increasingly important (Helliwell, Layard, and Sachs, 2012). This has been called the 'income-happiness paradox', because it contradicts the widely held assumption that more income and more economic growth will always contribute positively to human wellbeing. After reviewing the empirical literature, the analysis proceeds to consider the various explanations for this apparent 'paradox', and it also considers what implications this paradox might have for people and nations that are overconsuming. The chapter concludes by outlining what will be called an 'economics of sufficiency', drawing on the perspectives of degrowth and steady state economics.

2. The Income-Happiness Paradox: Is More always Better?

It is often assumed that income growth will always contribute positively and directly to human wellbeing. The following inquiry considers what empirical evidence exists for this assumed correlation, in the following three situations: (1) across nations; (2) between individuals within a nation; and (3) over time. This scientific literature will be used to assess whether, or to what extent, individuals who are leading high consumption lifestyles could reduce their consumption while maintaining or even increasing their quality of life. The macroeconomic implications of this literature will also be explored.

For many decades now social scientists have been using surveys to assess empirically the wellbeing of human beings in different places, situations, and times (Easterlin, 1974; Diener, 1999). These surveys have been crafted in a variety of ways, asking such questions as, 'Taken all together, how happy would you say you are: very happy, quite happy, not very happy, or not happy at all'. Another prominent approach involves asking people to consider such statements as 'The conditions of my life are excellent' and then asking them to provide a response from 1-7 ranging from 'strongly agree' to 'strongly disagree'. Scientists have also sought to measure human wellbeing using a number of different methods – for example, using physiological and neurobiological indicators, observing social behaviour, and non-verbal behaviour – but prominent researchers Bruno Frey and Alois Stutzer (2002: 26) conclude: 'Self-reported happiness has turned out to be the best indicator of happiness. Extensive research has shown that people are capable of consistently evaluating their own state of wellbeing'. The following analysis proceeds on that basis.

A variety of terms have been used to denote overall wellbeing, including 'happiness', 'utility', 'subjective wellbeing', 'reported wellbeing', and 'life satisfaction'. The following analysis will follow Frey and Stutzer (2002) in using these terms interchangeably. It should be noted, however, that some recent work has drawn a distinction between two aspects of subjective wellbeing, as Daniel Kahneman and Angus Deaton (2010: 16489) explain:

> Emotional wellbeing refers to the emotional quality of an individual's everyday experience – the frequency and intensity of experiences of joy, stress, sadness, anger, and affection that make one's life pleasant or unpleasant. Life evaluation refers to the thoughts that people have about their life when they think about it.

While this distinction is valid, most studies into wellbeing are based on 'life evaluation' surveys, rather than 'emotional wellbeing' assessments, and so the former approach should be assumed for the purposes of the following literature review, unless stated otherwise.

Although surveys on happiness and life evaluation cannot provide an exact accounting of a notion as complex as 'human wellbeing', if their results are received critically and cautiously then they can still provide a good deal of insight into the state of human wellbeing and provide valuable information with which individual, social, economic, and political decisions can be made (Kruger and Schkade, 2008; Diener *et al.*, 2009; Bok, 2010). It would be quite unjustified to ignore the vast empirical research into the state of human wellbeing simply because the subject of wellbeing defies exact accounting. It would be especially unjustified given that in recent years a vast amount of research has been dedicated to this subject,[1] suggesting that these studies ought to be taken seriously, despite the fact that there is 'still more work to be done' (Diener and Biswas-Diener, 2009).

2.1 *The correlation between income and wellbeing across nations*

There is now a substantial body of research that has assessed the correlation between income and wellbeing across nations (Diener, Helliwell, and Kahneman, 2010; Helliwell, Layard, and Sachs, 2012). If ever there were people who seriously subscribed to the romantic notion of poor nations being happier than rich nations, rigorous studies over recent decades have convincingly dispelled such a myth. On average, persons living in rich countries are demonstrably happier than those living in the poorest countries. This unsurprising result has been established by Ed Diener and colleagues (2009) in an extensive study covering 55 nations. Their study was based on data from the *World Values Survey*, which is one of the best sources for international comparisons of life

[1] Kruger and Schkade (2008) note that between 2000 and 2006, 157 scholarly articles and numerous books were published in the economics literature alone, using data on life satisfaction or subjective wellbeing. See also, Diener and Seligman (2004) (reviewing hundreds of studies on wellbeing).

satisfaction over such a large number of countries. Many other studies, comparing various sets of nations, have found the same positive association between per capita income and life satisfaction (Deaton, 2008).

When the results of these studies are illustrated graphically, however, with average per capita income in a nation (across the horizontal axis) and average life satisfaction (on the vertical axis), a curious relationship is observable. While life satisfaction indeed rises with income up to a point, many researchers have observed a distinct *curvilinear* relationship between the two variables, suggesting that increases in income have a more or less direct and positive impact on life satisfaction at low levels of income, but beyond a surprisingly modest threshold point the correlation between income and life satisfaction weakens significantly (Inglehart and Klingemann, 2000). In one of the most comprehensive reviews of this body of literature, Frey and Stutzer (2002: 75) point out that 'there is no sizeable correlation between wealth and satisfaction with life above an average income level of US$10,000'. This is not to suggest, necessarily, that there is no correlation at all above that surprisingly low level, only that income above that level has a diminishing marginal utility (Layard *et al.,* 2008; Inglehart, 1996; Helliwell, Layard, and Sachs, 2012).

When comparing only the richest nations, however – which is the focus of this chapter – the correlation between income and life satisfaction is evidently negligible. Clive Hamilton, for example, has studied data on the richest 17 nations, and found that 'there is no relationship at all between higher incomes and higher reported appreciation of life' (Hamilton, 2003: 26). Similarly, Richard Layard (2005: 32) concludes: 'If we compare the Western industrial countries, the richer ones are no happier than the poorer ones.' In a recent study, Layard and his colleagues (2010) provide further evidence for this position and rigorously respond to their critics (Deaton, 2008; Stevenson and Wolfers, 2008). This new study essentially corroborates Ronald Inglehart's (1996: 509) thesis that 'although economic gains apparently make a major contribution to subjective wellbeing as one moves from societies at the subsistence level to those with moderate levels of economic development, further economic growth seems to have little or no impact on subjective wellbeing'. And as another commentator notes, even people who argue that economic growth still brings happiness in prosperous countries 'often find that the rate of increase is very slight' (Bok, 2010: 14).

To those people or governments who assume that income per capita is a proxy for social progress, these research findings present a challenging anomaly. Indeed, it is suggested that they provide credible grounds for doubting whether growth in Gross Domestic Product (GDP) should still be a dominant policy objective for rich nations, since it would seem getting richer is no longer contributing much, if anything, to wellbeing (Jackson, 2009). After reviewing more than 100 scholarly studies, Ed Diener and Martin Seligman (2004: 1) conclude:

> economic indicators were extremely important in the early stages of economic development, when the fulfilment of basic material needs was the main issue. As societies grow wealthy, however, differences in wellbeing are less frequently due to income, and are more frequently due to factors such as social relationships and enjoyment at work.

When considering this body of social research one must, of course, allow for the possibility that any perceived correlation between income and happiness may be produced by factors other than income, as such. To some extent this will almost certainly be the case. Frey and Stutzer (2002: 75) note, in particular, that 'countries with higher per capita incomes tend to have more stable democracies than poor countries' and so 'it may well be that the seemingly observed positive association between income and happiness is in reality due to the more developed democratic conditions'. Or perhaps the perceived association is actually due to more secure human rights or better average health. Controlling as far as possible for these and several other possibly misleading factors, Frey and Stutzer (2002: 75-6) still hold that 'there is substantial evidence that it is indeed income that produces subjective wellbeing, at least for countries below a certain threshold of wealth'.

Once that threshold has been crossed, however – and the rich Western nations already seem to have crossed it – evidence suggests that further growth in GDP has a fast-diminishing marginal utility. What this means, in other words, is that beyond the threshold, income per capita is an increasingly poor indicator of human wellbeing. This is a cause for concern because, despite this evidence, rich nations persist in using the growth model in their decision-making, consciously or unconsciously (Purdey, 2010), and this means that they continue to endorse and seek growth, and structure institutions accordingly, even though growth has seemingly stopped contributing significantly to their wellbeing (see Kubiszewski *et al.,* 2013; Diener, Helliwell, and Kahneman, 2010). This is all the more troubling given that growth is the primary cause of ecological degradation.

2.2 *The correlation between income and wellbeing within a nation*

Within any nation, are rich people happier? One might have thought the answer would be simple. When people have lots of money, they seem to have more opportunities to achieve whatever they desire: they can purchase more luxurious consumer goods and services; they can afford better healthcare, receive a better education, and are more likely to enjoy higher status, etc. And if for some reason rich people think that living in poverty will make them happier, they are free to dispose of their money at no cost (Frey and Stutzer, 2002). These are no doubt the kinds of reasons that led the great utilitarian economist Jeremy Bentham (2005: 468) to assert: 'Money is the most accurate measure of the quantity of pain or pleasure that a person can be made to receive... It is from his money that a man derives the main part of his pleasures.' But are things that simple?

It seems not. When we actually consider the extensive empirical evidence on this subject, rather than just uncritically accept the perhaps 'commonsense' assumptions of conventional economics, we find a much more nuanced relationship between income and wellbeing. The evidence generally confirms that, on average, rich people report higher levels of life satisfaction than poor people (Frey, 2008). But upon closer inspection, the research shows that, although more money increases wellbeing at low levels of income, with further increases in income there soon comes a point when the correlation between income and wellbeing tends to fade, at times even to vanishing point (Lane, 2000). In their US study, for example, Kahneman and Deaton (2010) argue that there comes a point when getting richer *is not correlated at all* with emotional wellbeing. While they conclude that life satisfaction does rise with the log of income (see also, Stevenson and Wolfers, 2008), this should not be interpreted to mean that pursuing money is the most direct path to life satisfaction, because evidence has consistently shown that as people get richer, things *other than income* become more influential causes of happiness and life satisfaction (see, e.g., Helliwell, Layard, and Sachs, 2012; Helliwell, Layard, and Sachs, 2013). In other words, while income growth might sometimes lead to happiness, it seems that the richer and more secure one gets in material terms, the more likely it is that further increases in happiness are going to come from things such as more meaningful work, social engagement, and leisure. This point seems to be lost on those who simplistically argue that 'money buys happiness'.

The positive effects of increasing income seem to be stronger within the poorest nations, for the reason that more people subsist in conditions of material destitution. But, as David Myers (2000a: 131) puts it, 'within affluent countries, where nearly everyone can afford life's necessities, increasing affluence matters surprisingly little'. Similarly, Frey and Stutzer (2002: 83) conclude that '[a]t low levels of income, a rise in income strongly raises wellbeing. But once an annual income of about US$15,000 has been reached, a rise in income level has a smaller effect on happiness'.

The diminishing correlation between income and wellbeing within nations has also been observed by Inglehart in his 16-nation study of the US, Canada, and Western Europe, where he concludes that the correlation between income and happiness is 'surprisingly weak (indeed, virtually negligible)' (Inglehart, 1990: 242). Commenting on this weak or even non-existent relationship between income and happiness, Michael Argyle (1999: 353) pays tribute to the theory of declining marginal utility of money: 'The reason for the rather weak effect of income [on happiness] in the USA may be that many Americans are above the level at which income affects happiness.' It seems this reasoning now applies to most if not all the advanced capitalist societies (Lane, 2000; Layard, 2005).

The central insight here is that the rich are not much more satisfied with their lives than the merely comfortable, who in turn are only slightly, if at all, more satisfied with their lives than the lower middle classes. And there is now considerable research on these issues (see also, Kahneman and Deaton, 2010; Helliwell, Layard and Sachs, 2012; Helliwell, Layard, and Sachs, 2013). It seems that once a moderate threshold has been reached – which some theorists argue is essentially when 'basic needs' have been satisfied (Di Tella and MacCulloch, 2010) – a higher income will tend to have less impact on human wellbeing. The point is summarised well by John Talberth (2008: 10):

> An increasingly large and robust body of hedonics research confirms what people know intuitively: beyond a certain threshold, more material wealth is a poor substitute for community cohesion, healthy relationships, a sense of purpose, connection with nature, and other dimensions of human happiness.

It is suggested that this research casts further doubt on the received wisdom that increases in income per capita will benefit people in affluent societies. It even suggests that some people could increase their wellbeing by directing less of their time and energy toward materialistic pursuits, and more time toward non-materialistic pursuits – a point to which we will return.

2.3 *The correlation between income and wellbeing over time*

A final way to assess the correlation between income and wellbeing is to compare the wellbeing of an individual or a society over different points in time, in different financial circumstances. If we assume that increasing per capita incomes will have a direct and positive bearing on life satisfaction, we would expect to see this relationship reflected over time as an individual or a society gets richer. Again, there is a large and growing empirical literature providing insight into this issue (e.g., Hinte and Zimmerman, 2010).

As documented above, rich nations tend to report higher levels of subjective wellbeing than the poorest nations, where poverty is widespread. From this it can be fairly inferred that as a poor nation's economy grows over time and secures more basic material needs for its inhabitants, the wellbeing of those inhabitants also tends to rise.[2] This initially strong correlation between income and wellbeing is arguably the main reason the growth paradigm is so deeply entrenched today. It is no wonder, given the many benefits derived from economic growth since the Industrial Revolution, that the growth imperative structures our politics, our outlook, even our identities. And since increasing income tends to increase wellbeing significantly when nations or individuals are very poor, it is easy to infer that, beyond poverty, further income will keep on increasing wellbeing in the same direct and positive fashion. That inference, however, turns out to be false. Richard Easterlin (2013) argues that long term trends in growth and happiness are not related, while others argue it is related, but only up to a point (see generally, Diener, Helliwell, and Kahneman, 2010).

In the US and UK, to begin with two of the most notorious examples, research shows that the 'income-happiness paradox' has developed (Blanchflower and Oswald, 2004). The 'paradox', so-called, is this: over the last half century, average per capita incomes have grown several times over, but despite this tremendous rise in the material standard of living, inhabitants are slightly less happy or no more happy today than they were 50 years ago. Similarly, if we look to Japan, evidence indicates that between 1958 and 1991 real GDP per capita increased six-fold, yet reported satisfaction

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[2] While this suggests that there are powerful arguments for more economic growth *of some form* in countries where a large proportion of the population lives in poverty, Clive Hamilton (2003: 27) is correct to warn that 'this should not be construed as an unalloyed endorsement of growth at all costs. The nature of the growth process matters'.

with life did not change at all (Frey, 2008: 39; Layard *et al.,* 2010; Easterlin, 2013).

Let us dwell on these points for a moment. Three of the richest economies in the world have grown considerably over the last 50 years and yet the wellbeing of their inhabitants, which surveys have quite consistently recorded, has tended to stagnate (or, in the case of the US, decline). In other words, the affluence delivered by growth in GDP within these nations has evidently stopped serving human wellbeing. *Getting richer is no longer making people happier*. As mentioned above, this phenomenon can be labelled the 'income-happiness paradox', a paradox because it fundamentally contradicts what conventional 'more is better' economics would have predicted. And it calls for reflection: 'If the economy is up,' ask Clifford Cobb *et al.* (1995: 1), 'why is America down?' In his review of the scholarly literature, Hamilton (2003: 30) is surely right to insist: 'The implications of the figures cannot be brushed aside: if a sharp rise in personal incomes does not result in any increase in personal life satisfaction, why do we as societies give such enormous emphasis to economic growth?'

Evidently, it is not just the US, UK, and Japan that must confront this deeply challenging state of affairs. Many other developed societies are showing distinct signs of confronting a very similar paradox, as evidenced by the recent studies based on the 'extended accounts' of the Index for Sustainable Economic Welfare (ISEW) or the Genuine Progress Indicator (GPI) (Lawn, 2006; Kubiszewski *et al.,* 2013). These analytical tools, among others (e.g., the Human Development Index, the Happy Planet Index, the Measure of Domestic Progress, etc.), have been developed in response to growing discontent with the inadequacies and narrowness of GDP as a measure of welfare (see Stiglitz, Sen, and Fitoussi, 2010). As much more nuanced measures of welfare, the ISEW and the GPI take into consideration extremely important social and environmental factors that GDP, as a measure of welfare, does not and cannot reflect. For example, the ISEW and the GPI begin with total private consumption expenditure and then make deductions for such things as resource depletion, pollution, income inequality, loss of leisure, 'defensive expenditures' etc, and make additions for such things as public infrastructure, volunteering, and domestic work (Daly and Cobb, 1989). The aim of these indexes is to measure genuine progress as accurately as possible, not just total market activity.

What, then, do these 'extended accounts' of welfare show? Avner Offer (2006) helpfully reviews the key findings of the ISEW in relation to many nations. Offer shows that the US and UK ISEW declined significantly between 1975 and 1990, even though GDP grew significantly. Furthermore, ISEW measures are now available for Australia, Austria, Chile, Germany, Italy, the Netherlands, Sweden, as well as the US and UK. Offer (2006: 19) reports that, 'All except Italy record ISEW growth until the 1970s, with stagnation or decline afterwards.' Other studies suggest that Italy is also in decline (D'Andrea, 1998).

Although there is still room to improve the ISEW and the GPI, it is suggested that they are undoubtedly better measures of national progress than GDP (Lawn, 2003; Lawn 2005). It is heartening to observe that these types of extended accounts are approaching official recognition, albeit slowly (Stiglitz, Sen, and Fitoussi, 2010). The message they convey, however, is a rather disconcerting one, especially for the developed nations. After all, they show that economic growth since about the mid-1970s has done little or no good in terms of aggregate welfare. On that basis, Offer (2006: 20) seems justified in concluding that 'the pursuit of further growth has been irrational. It is only myopia and habit which allow it to continue in the face of negative welfare returns'.

Interestingly, this message is even being acknowledged by some conservative political parties, which typically have been the bastion of 'more is better' growth economics. In 2007, for example, the UK Conservative Party issued a landmark report, *Blueprint for a Green Economy* (Gummer and Goldsmith, 2007), which is one of the first attempts by a major political party in the industrialised world to refocus attention away from economic growth and toward a much broader and more inclusive conception of wellbeing. In a startling admission, the authors (Gummer and Goldsmith, 2007: 8) state:

> ...beyond a certain threshold – a point which the UK reached some time ago – ever increasing material gain can become not a gift but a burden. As people, it makes us less happy, and the environment upon which all of us, and our economy, depend is increasingly degraded by it.

More recently, UK Prime Minister, David Cameron – hardly known for his progressive economics – has stated, 'It's time we admitted that there's more to life than money and it's time we focused not just on GDP but on GWB – general well-being' (see Stratton, 2010). Of course, this has remained at the level of rhetoric merely, but it does indicate that cultural attitudes toward income growth may be shifting toward less materialistic perspectives.

In light of all this evidence, the question about the effects of rising incomes on wellbeing over time can be answered as follows: getting richer over time makes people and societies better off *up to* *a point*, but once a moderate level of wealth has been attained – a level which the developed nations, as detailed above, already seem to have surpassed – getting richer makes little, if any, positive difference to wellbeing (Kubiszewski *et al.,* 2013; Helliwell, Layard, and Sachs, 2012; Helliwell, Layard and Sachs, 2013). When that point has been reached – which cannot be precisely defined and is likely to be context-dependent – individuals and societies, if they wish to increase their wellbeing, should dedicate their energies toward non-materialistic sources of meaning and fulfilment. In a consumerist age that celebrates the limitless pursuit of material wealth, this is admittedly a counter-intuitive point. But that just makes it all the more important that the complex relationship between income and happiness is given due attention.

3. Explaining the Income-Happiness Paradox

Before exploring the implications of these findings, it is important to consider the question of why it might be that, beyond a moderate threshold, more income 'paradoxically' stops contributing much to wellbeing. Understanding this paradox, so-called, might provide some insight into how best to respond to it. Seven of the more prominent explanations for the 'income-happiness paradox' are outlined below, none of which are mutually exclusive.

3.1 *Relative income vs. absolute income*

Some theorists, going at least as far back as Thorstein Veblen (1965 [1899]), have highlighted the fact that once a person's basic material needs are satisfied, *relative* income often has much more effect on subjective wellbeing than *absolute* levels of income. This issue has been the subject of many sociological studies (e.g., Ball and Chenova, 2008; Layard *et al.,* 2010), and the studies have tended to show that, not so far beyond the poverty line, people generally assess their individual wellbeing in relation to how others in a similar social group are doing, such that if our incomes rise relative to those around us we are likely to become happier; but if everyone else's incomes rise at the same time as our own, we are less likely to become happier. Moreover, if your increase in income causes envy in those around you, your increased happiness (through status) might be offset by dissatisfaction in others, so that aggregate happiness across the nation may not change at all (Jackson, 2006: 10). For these reasons, there may come a time when economic growth is wasteful or self-defeating, much like when everyone stands on tip toes in a crowd and nobody's position improves. Status competition, after all, is a zero-sum game, in the sense that if someone's status increases, someone else's must have relatively decreased. Many theorists argue that this struggle over social positioning is why economic growth has stopped contributing much to wellbeing in affluent societies (Hirsch, 1976; Layard *et al.,* 2010).

3.2. *Hedonic adaptation*

Other theorists point to the impact of 'hedonic adaptation' as the cause, or a contributing cause, of the income-happiness paradox (Di Tella and MacCulloch, 2010). The central idea here is that as people get richer they generally become more accustomed to the pleasure of the goods and services their new income affords them. Accordingly, if people want to maintain the same level of happiness, they must achieve ever-higher levels of income in the future just to stay in the same place, hence the metaphor of the 'consumerist treadmill' (Jackson, 2006:10). As Myers (2000b: 60) notes, 'Thanks to our capacity to adapt to ever greater fame and fortune, yesterday's luxuries can soon become today's necessities and tomorrow's relics.' This phenomenon of hedonic adaptation, just like the struggle over social positioning, is nullifying the projected or anticipated benefits of income growth in rich nations.

3.3 *Rising expectations*

In a similar fashion, the benefits of income growth can be nullified if people continually raise their material expectations about what is needed to attain contentment. One example of this is known as the 'Diderot Effect' (named after the philosopher Denniss Diderot, who first wrote about it). This phenomenon refers to how consumer purchases can induce the desire for other purchases, which can induce further desires, and so on. The purchase of some new shoes looks out of place without a new outfit to match; a new car looks out of place parked in front of a shabby old house; painting the lounge can make the kitchen look even older; and replacing the sofas tempts one to replace the chairs too. This striving for uniformity in cultural standards of consumption can function to lock people onto a consumerist treadmill that has no end and attains no lasting satisfaction.

Richard Easterlin (2001: 465) argues that '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'. This type of reasoning prompted Easterlin (1995) to ask, 'Will raising the incomes of all increase the happiness of all?', and he answered this question in the negative, on the grounds that the material norms on which judgements of wellbeing are made tend to increase in the same proportion as the actual income of the society. Derek Bok (2010: 13) makes essentially the same point when he suggests that 'people's aspirations are forever beyond their reach, leaving them perpetually unsatisfied'. Once again, the anticipated benefits of increased income will never be realised if material expectations keep rising.

3.4 *Overwork*

Another reason why income growth has generally stopped contributing to wellbeing in affluent societies can be attributed to the fact that many of those societies have developed cultures of overwork, despite the fact that technological advances have made the workforce considerably more productive per hour than in earlier eras. In terms of wellbeing, Charles Siegel (2008: 8) poses the critical question: 'Should we take advantage of our increasing productivity to consume more or to have more free time?' If people keep raising their material standards of living every time they come into more money – through a pay rise, for example, or through some new technology which increases productivity per hour – working hours will never decrease and may even rise. Indeed, many Westerners, especially North Americans, Britons, and Australians, are working longer hours today than they were in the 1970s, despite being considerably more productive (de Graaf, 2003; Hamilton and Denniss, 2005). Generally speaking, they have directed all their wealth and productivity gains into consuming more and have not taken any of those gains in terms of increased free time. Arguably, quality of life could have been increased if more of those productivity gains were converted into more time and less consumption (see also, Helliwell, Layard, and Sachs, 2012; Helliwell, Layard, and Sachs, 2013).

To make matters worse, there are structural biases in many affluent societies that function to promote overwork (i.e., working hours that are not 'optimal' or 'utility maximising'), such as laws that treat the 40-hour work week as 'standard' or which exclude part-time workers from many of the non-pecuniary benefits enjoyed by those who work full-time (Robinson, 2007). The effect of these structural biases is essentially to force or coerce many people to work longer hours than they want or need to, which gives rise to cultures that tend to overconsume resources and under-consume leisure. This might lead to higher GDP per capita, but at the cost of quality of life and planetary health (Hayden, 1999).

3.5. *The high price of materialism*

Many ancient wisdom traditions, both ‘philosophical’ and ‘spiritual’, tell us that materialistic values can be dangerous; that focusing on attaining material possessions and social renown can detract from what is meaningful about life (Vanenbroeck, 1991). Tim Kasser (2002, 2009) has explored the science beneath such ancient wisdom, and he shows that research on the effects of materialism yields clear and consistent findings: ‘People who are highly focused on materialistic values [i.e., people who orientate their lives around the acquisition of money, fame, and image] have lower personal wellbeing and psychological health than those who believe that materialistic pursuits are relatively unimportant’ (Kasser, 2002: 22). What is more, Kasser shows that these relationships have been documented in samples of people ranging from the wealthy to the poor, from teenagers to the elderly, and from Americans to Russians, from Australians to South Koreans. If this is true then today’s growth-obsessed, consumer cultures are inculcating people with values that are not conducive to their own wellbeing. After reviewing the evidence, Kasser concludes that when people in affluent societies subscribe to materialistic values and organise their lives around the pursuit of wealth and possessions, ‘they are essentially wasting their time as far as wellbeing is concerned. By concentrating on such a profitless style of life, they leave themselves little opportunity to pursue goals that could fulfil their needs and improve the quality of their lives’ (Kasser, 2002: 47-8).

3.6. *The limits to purchasing happiness*

A related reason for why income does not contribute much to wellbeing in affluent societies concerns the limits of market consumption. Whatever it is that makes life meaningful or fulfilling, evidently it is not the limitless consumption of goods and services (Scitovsky, 1976; Csikszentmihalyi, 1999). Robert Lane expresses the idea as follows: ‘the richer the society and its individuals become, *the less purchasable are the goals that bring them* *happiness* – although they may still pursue wealth with their accustomed vigor' (Lane, 2000: 63, emphasis added). And, indeed, continuing the pursuit seems to be the way of many individuals in affluent societies today, as Kasser (2002: 59) explains: 'The sad truth is that when people feel the emptiness of either material success or failure, they often persist in thinking that more will be better, and thus continue to strive for what will never make them happy'. This 'sad truth' manifests itself politically in affluent societies as an insatiable desire for economic growth.

3.7. *Inequality is socially corrosive*

One final explanation for why per capita income growth is failing to contribute much to wellbeing in rich countries is that in recent decades, especially, the rewards of growth have gone mainly to the richest few per cent of the population. Kate Picket and Richard Wilkinson (2010) have discussed this issue in depth, presenting an impressive body of evidence showing the social benefits of a broad-based distribution of wealth. These studies show that great economic inequality in a society is socially corrosive – a point that supports a more egalitarian distribution of wealth in societies where wealth is highly polarised. In short, beyond a certain threshold, it seems that distributive equity matters more, in terms of overall human wellbeing, than continuous growth.

4. The Radical Implications of the Income-Happiness Paradox

At first instance the widespread assumption that real income growth will always contribute positively to human happiness seems intuitively plausible. As noted earlier, money provides people with power to purchase some of the things that they desire, whether those things are goods (big houses, nice clothes, expensive food, etc.) or services (hired help, luxurious holidays, massages, etc.). The advertising industry plays on this materialistic assumption in highly sophisticated and manipulative ways, implicitly or explicitly reinforcing the idea that people need this or that product if they want to be satisfied with life (PIRC, 2011). If it were the case that subjective wellbeing always increased in proportion with real income growth, this would provide some grounds for arguing that human beings have an ongoing interest in being materialistic, and that governments are correct to treat growth in GDP as a proxy for social progress. But the evidence reviewed above shows that such arguments are either false or in need of significant qualification.

We have seen that income growth tends to contribute positively and directly to human wellbeing when people and societies have very low levels of material wealth. But once basic material needs have been met – as they generally have been in the most developed regions of the world – further increases in income have diminishing marginal returns. The evidence even suggests that there comes a point – a threshold which the most developed nations have already crossed – where the anticipated benefits of growth are nullified by social and psychological phenomena such as status competition, hedonic adaptation, rising expectations, etc. While it is true that within a nation, the richest people are generally happier than those less well off, it seems that once a moderate level of wealth has been attained, further increases in wealth play only a minimal role raising wellbeing. What this means is that if people whose basic material needs have been met continue to dedicate their lives to the pursuit of more and more wealth, they may find that they are essentially wasting their time so far as wellbeing is concerned. As Tim Jackson (2006: 10) puts it:

> Far from making us happier… 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.

When considering the body of evidence reviewed above, it is commonplace to acknowledge that relatively affluent individuals and societies are unlikely to increase their wellbeing significantly by getting richer. The lesson typically drawn from this is that those individuals and societies should not seek *further* income growth (e.g., Jackson, 2009). Given that the world economy today is governed by the profit-maximising logic of growth economics, this lesson is a challenging one.

It is my contention, however, that the implications of the literature are more radical still. After all, the evidence does not merely show that the richest nations are consuming at the material threshold in an 'optimal' way. That is to say, the richest nations are not consuming 'just enough' to maximise their wellbeing. Instead, the sociological evidence (to say nothing of the ecological evidence) implies that the richest nations, and many people within those nations, have actually gone *beyond* the optimal material threshold; they are now dedicating 'too much' of their time and energy toward materialistic pursuits (Max-Neef, 1995; Lawn and Clarke, 2010; Kubiszewski *et al.,* 2013). This implies that those nations and individuals who have gone beyond the optimal material threshold could actually *increase their wellbeing by reducing their consumption*. That is the central thesis this chapter is advancing.

For example, if people in affluent societies were to rethink their relationships with money and reduce their outgoings, they might be able to free up more time for things that truly make them happy, such as more time with friends and family, or more time to engage in their private passions. This type of reasoning has even led one theorist, Kate Soper (2008), to coin the term 'alternative hedonism', in order to highlight the many joys and pleasures that come with living a simpler, post-consumerist existence.

Could it be that many people in affluent societies can actually live better, happier, and more pleasurable and engaged lives by reducing and restraining their income and consumption?

5. Toward an Economics of Sufficiency

Fortunately, we no longer need to rely on theories or abstract arguments to show that people can live well on less. A growing number of people in the Voluntary Simplicity Movement are choosing to reduce and restrain their consumption – not out of sacrifice or deprivation, but in order to be free, happy, and fulfilled in a way that consumer culture rarely permits (see generally, Alexander, 2009). By limiting their working hours, spending their money frugally and conscientiously, growing their own vegetables, sharing skills and assets, riding bikes, rejecting high-fashion, and generally celebrating life *outside* the shopping mall, these people are new pioneers transitioning to a form of life beyond consumer culture.

This post-consumerist social movement, it could be said, is exemplifying an 'economics of sufficiency', one that seeks to attain 'enough' to live well, while resisting the counter-productive urge to increase consumption without limit. Given that overconsumption is the driving force behind many of today's social and ecological crises (Lane, 2000; Trainer, 2010), the emergence of a social movement that is increasing social wellbeing by embracing sufficiency in consumption is an omen whose positive potential can hardly be overstated.

Significantly, the largest multi-national survey analysis of the Voluntary Simplicity Movement (Alexander and Ussher, 2012) reports that almost all participants in the movement are happier for embracing lifestyles of reduced or restrained income. Quite remarkably, only an insignificant number (0.3%) said that they were 'less happy'. These results, which support the analysis above, are important because they indicate that a 'double dividend' can flow from reducing consumption, or even a 'triple' or 'quadruple' dividend, etc. (Jackson, 2005; Brown and Kasser, 2005; Kasser 2009). That is to say, the results suggest that the arguments for reduced consumption based on environmental, humanitarian, and population concerns, etc., are supported also by an argument based on increased happiness. People have a reason to live simply for their own sakes, the evidence suggests, but by doing so, it may be inferred, they are also likely to benefit others and the planet. If this is indeed so, it is extremely good news, because an argument based on 'self-interest' is likely to be more persuasive than arguments based on more 'moralistic' concerns arising from environmental or humanitarian concerns.

Of course, these results do not 'prove' that living simply will make people happier. But they do suggest that the overwhelming majority of participants in the Voluntary Simplicity Movement are notably happier for living more simply. And this means that simpler living is providing many people with a viable and desirable alternative to higher consumption lifestyles – an alternative that other people may also find it in their interest to explore.

The most promising thing about this emerging social movement is that it may provide a solution to one of the greatest problems of our age – the problem of growth. Despite the global economy far exceeding the planet's sustainable limits (Vale and Vale, 2013), even the richest nations on the planet still seek to grow their economies further (Purdey, 2010). This growth imperative arises because our economies are dependent on growth to function, for when growth-based economies do not grow, people suffer – as evidenced by the ongoing Global Financial Crisis, especially in Europe. One is struck here by a painful contradiction arising from the need to consume *less* for ecological and hedonic reasons, but consume *more* for the sake of a strong economy. Can this contradiction be resolved?

Perhaps, but only perhaps. If more people came to place self-imposed limits on their own consumption, rather than always seeking an ever-higher material standard of living, then this could well open up space to rethink the growth imperative that defines our economies. In other words, if an economics of sufficiency were ever embraced at the personal and social levels, there is no reason to think that an economics of sufficiency could not also arise at the macroeconomic level (Alexander, 2011a; Alexander, 2013). This may sound like science fiction to those who cannot think beyond the growth model. But times they are a-changing.

The following sections outline, in a preliminary way, the basic structure of what could be called a 'macroeconomics of sufficiency'. It will be argued that there are social, ecological, and even economic reasons to support the proposition that continuing growth in the developed nations is: (1) increasingly wasteful, and arguably counter-productive, in terms of social wellbeing; (2) ecologically unsustainable; and (3) uneconomic. So far as this analysis is correct, it arguably follows that an equitable downscaling of production and consumption – or degrowth (Latouche, 2009; Kallis, 2011; Alexander, 2012a) – is the most appropriate and desirable response to the failings of growth economics. This is especially so given that growth in the richest parts of the world has proven to be an extremely inefficient and environmentally unsupportable means of eliminating global poverty (Woodward and Simms, 2006).

5.1. *Degrowth for social wellbeing*

As we have seen, the social critique of growth holds that growth in GDP is often strongly correlated with wellbeing at low levels of per capita income, but that once a society attains a moderate level of wealth, further growth has little, if any, positive impact on overall wellbeing. This has significant implications for high income societies like those in the developed world today. Most notably, it suggests that those societies could dedicate considerably less time to producing and consuming goods and services without negatively affecting overall wellbeing. Indeed, it is likely that wellbeing would be positively affected if they did so, since a considerable amount of time and energy otherwise spent on wasteful production and consumption would be freed up for more meaningful and fulfilling activities (Trainer, 2013). For this reason, some degrowth scholars argue that degrowth should not be considered a 'forced option' in the face of the ecological crisis; instead, degrowth should be seen as a choice to be made even without the crisis, 'simply to be human' (Fournier, 2008: 536).

Although trading money for time implies a lower material 'standard of living' (in terms of income/consumption), the above reasoning indicates that this would nevertheless lead to increased 'quality of life' (measured by subjective wellbeing). On that basis, it is argued that developed societies could increase overall wellbeing by initiating a degrowth process of planned economic contraction, in the sense of developing and implementing policies to reduce wasteful production and consumption and facilitate the exchange of money for time. To the extent that governments cannot be relied on to initiate this process, it follows that it must be driven from the grassroots (Trainer, 2010; Alexander, 2012a; Alexander, 2012b). Ideally, the degrowth process should continue until overgrown societies produce and consume to an optimal degree – not too much, not too little. Whether a society has attained this optimal social state, of course, may be forever contestable and unclear, but it is suggested that the notion of macroeconomic 'sufficiency' itself guards against the mistake of thinking that more production and consumption are always going to improve wellbeing (which is the defining flaw in the ideology of growth). The notion of macroeconomic 'optimality' also provides the theoretical space needed to argue that a downscaling of production and consumption could increase wellbeing, which is indeed an aspect of the case for degrowth (Latouche, 2003).

5.2. *Degrowth for ecological sustainability*

The ecological critique of growth holds that the global economy already significantly exceeds the regenerative and absorptive capacities of Earth's ecosystems, a crisis driven by the developed nations which are demonstrably overconsuming their fair share of Earth's resources (Meadows *et al.,* 2004). This situation is especially troubling since the poorest nations still need to develop their economic capacities in some form simply to provide for themselves a dignified standard of living. In response to the argument that techno-efficiency improvements will 'decouple' growth from ecological impact – and thus allow for 'sustainable development' or 'green growth' – evidence shows absolute ecological impacts are still increasing, despite the relative decoupling achieved by techno-efficiency improvements (Jackson, 2009; Alexander, 2014). For these reasons, it is argued that to achieve ecological sustainability, the developed nations need to initiate a degrowth process of planned economic contraction, in the sense of reducing the absolute level (not merely per unit level) of ecological impact caused by economic activity. Ideally, this process should continue until ecological sustainability has been achieved, at which point the developed nations should adopt a 'zero growth' or 'steady state' economic model (Trainer, 2010; Daly, 2008). In the poorest nations, a phase of clean, efficient, and equitable economic development is still required to achieve a dignified standard of living – facilitated, ideally, by some global redistribution of wealth – but eventually those developing nations too will need to transition to a steady state economy (Lawn and Clarke, 2010). The steady state model is of a physically non-growing but qualitatively developing economy which is maintained by a sustainable rate of resource throughput. Within a steady state economy, renewable resources would be harvested at rates that do not exceed regeneration rates; the rate of depletion of non-renewable resources would not exceed the rate of creation of renewable substitutes; and waste emission rates would not exceed the natural assimilative capacities of ecosystems into which they are emitted (Daly, 1990). These guiding principles would help ensure that an economy remains within the sustainable carrying capacity of the environment.

5.3. *Degrowth for optimal macroeconomic scale*

The economic critique of growth begins by pointing out that growth of an economy, measured by a rise in GDP, is not 'economic growth' unless the benefits of growth exceed the costs, all things considered. The critique then shows that most of the developed nations have entered or are entering a phase of 'uneconomic' growth (Daly, 1999); that is, a phase in which the costs of growth exceed the benefits, all things considered. This argument is based primarily on the extended accounts of the ISEW and GPI, discussed earlier, which are tools that seek to internalise many of the significant social and environmental externalities that GDP, as a measure of progress, fails to take into account. Since the ISEW and GPI indicate that the developed economies seem to have already exceeded their optimal macroeconomic scale (Kubiszewski *et al.,* 2013), to achieve optimality those economies should initiate a degrowth process of planned economic contraction, a process which could be described as 'economic' degrowth. This would not involve deliberately reducing GDP per capita for its own sake, however, since degrowth for its own sake is no more sensible than growth for its own sake (Latouche, 2009: 7). Rather, degrowth for optimal macroeconomic scale would involve explicitly giving up the pursuit of growth and directly pursuing more specific welfare-enhancing objectives – such as eliminating poverty, lessening inequality, and protecting the environment – even if this led to lower GDP per capita. Planned economic contraction should continue until the costs are equal to the benefits, a situation which would represent an optimal macroeconomic scale and ideally would be maintained in the form of a steady state economy.

This is the vision of a macroeconomics of sufficiency, and the purpose of this chapter has been to provide some of its sociological foundations.[3] The present socio-economic argument has been that it

[3] The details on what precise structural form a macroeconomics of sufficiency would take is an important issue, but one beyond the scope of the present chapter.

is possible for affluent nations, and many people within those nations, to increase quality of life by reducing and restraining consumption. At the personal and community levels, this involves rejecting consumerism and transitioning to lifestyles of voluntary simplicity. At the macroeconomic level, it involves moving away from the dangerously flawed growth model of progress and implementing some degrowth process of planned economic contraction. If, on the other hand, the world continues to pursue growth without limits, on the flawed assumption that money buys happiness, then soon enough our civilisation will resemble a snake eating its own tail – and, in fact, one could say this is already the defining metaphor of our industrial age.

6. Conclusion

Over the last century, the majority of individuals in affluent societies have essentially been freed for the first time in history from the threat of material destitution and, indeed, now live lives of relative comfort (Offer, 2006). These individuals could now be confronting what the great economist John Maynard Keynes (1963: 362) called our ‘permanent problem’ – the problem of what to *do* with the radical freedom that material comfort provides. This chapter has made no attempt to answer that question; a question which, in any case, we must each answer for ourselves. The analysis above does suggest, however, that the meaning of human existence does not and cannot consist in the consumption and accumulation of ever more material things. Perhaps that is obvious, but what then of growth capitalism? In the apt verse of William Wordsworth (1994): ‘Getting and spending, we lay waste our powers.’

The motivating aim of this chapter was to prompt self-reflection in the following terms: Could it be that it is now in our self-interest to voluntarily embrace ‘simpler’ lifestyles of reduced and restrained consumption? And could it be that it is also in the self-interest of developed nations to give up growth economics and transition by way of degrowth to a steady state economy? In an age that glorifies consumption and fetishises growth as never before, these might seem like counter-intuitive proposals. But the growing voluntary simplicity and degrowth movements – which represent two complementary dimensions of an economics of sufficiency – are indicating that such intuitions may well be false.

Consume less, live more. Just perhaps this is a way of life whose time has come.

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