CHAPTER 15

# *The Happiness Economy*

We now have two reasons to change.

First, we have no choice, and that's always a good reason! The impossibility of continued quantitative economic growth means we'll be forced to shift to a new model of human development to avoid collapse.

Second, the old model has passed its use-by date anyway; it *has* delivered, but it can't any longer. It's not enhancing the quality of life for those whose basic needs have been met, it's globally uneconomic because it is destroying our capital base, and it can't even deliver for the billions of poor because doing so will bring down the whole system, hitting the poor the hardest.

But what will we change to? What is the radical new way to organize society and the economy? How could it work, and how can we transition to it?

The really interesting thing you discover when you look into these questions is that the way forward is neither radical nor new. This moment in time, the end of growth, was in fact foreseen by the founding fathers of economic theory and market capitalism as a natural point we would *inevitably* reach. As expressed by John Maynard Keynes, arguably the most influential economist of the twentieth century:

> The day is not far off when the economic problem will take the back seat where it belongs, and the arena of the heart and the head will be occupied or reoccupied, by our real problems—



> the problems of life and of human relations, of creation and behavior and religion.

Even further back, in 1848, one of the pioneers of economics, John Stuart Mill, anticipated the transition from economic growth to a "stationary state." In his *Principles of Political Economy*, he wrote:

> The increase of wealth is not boundless. The end of growth leads to a stationary state. The stationary state of capital and wealth . . . would be a very considerable improvement on our present condition.

And preempting critics over 150 years later, who today argue that economic growth is essential for human progress, he wrote:

> It is scarcely necessary to remark that a stationary condition of capital and population implies no stationary state of human improvement. There would be as much scope as ever for all kinds of mental culture, and moral and social progress; as much room for improving the Art of Living and much more likelihood of its being improved, when minds cease to be engrossed by the art of getting on.

Scarcely necessary indeed. We can go still further back, virtually to the beginning of economics as a field of study, to Adam Smith, whose famous 1776 book, *An Inquiry into the Nature and Causes of the Wealth of Nations*, was described as "the effective birth of economics as a separate discipline." Adam Smith assumed and indeed forecast the end of economic growth and the transition to a stable-state economy, for various reasons—including what he saw as the obvious limits of natural resources. Smith reasoned that all economies would eventually reach a "stationary state" when they had "acquired that full complement of riches which the nature of its soil and climate, and its situation with respect to other societies allowed it to acquire; which could, therefore advance not further and which was not going backwards."[1] So over two hundred years ago, the founder of modern liberal economies recognized what we have since forgotten—that any economy remains constrained by its "soil and climate" or its natural resource base.

Thus it seems the arguments against growth are *not* the territory of radicals seeking to question the capitalist model but have in fact been long understood by capitalism's founding fathers as a logical point we would inevitably arrive at.

Now that we have arrived, our task is to define what this steady-state economy will look like and how to transition toward it. We have to transition to it rather more abruptly than was perhaps expected or risk undoing the hundreds of years of progress that got us to this point.

There is more good news in this history. Because the logic has always been so clear, a great deal of work has been done to define our task and many guidebooks have been written.

One of the organizations most active in this area is the New Economics Foundation. When I met with the NEF's executive director, Stewart Wallis, he raised an interesting issue that struck me as perhaps our most urgent task. The design of a steady-state economy is in fact not that difficult. The challenge, he argued, is this: There is a significant difference between a steady-state economy—one designed to operate that way—and a failed growth economy, which would be the absence of growth from our current economy. His concern is that a failed growth economy, with rising unemployment and many other social and economic challenges, poses a serious threat to social and political stability and could lead to considerable suffering. He pointed out that a steady-state economy can be designed to avoid this, but it must be just that—designed to do so, including the transition to it.

The challenge Wallis gives us is to act before this point is reached, so we can actively move to a new model rather than letting the old one fail, which would then make transition much harder. The NEF has focused on how the transition could work and what concrete policies could be put in place now, with immediate benefit. Many others have also proposed actions governments and individuals can take now that start to move us in the right direction.

Such transition measures also give us insights into what a steady-state economy would be like. These are not all new ideas. In fact, many of them are already in existence in mainstream policy. Others could easily be applied now within current economic structures.



One example is cap-and-trade systems on key resources. These are being applied to both resource supply (such as fisheries, water) and pollution amounts ($CO_2$, $SO_2$). Another major one already on the agenda and in progress in some countries is to start moving taxes from things we want more of (for instance, labor) to things we want less of (pollution/resources). This encourages employment (addressing one of the key risks of a failed growth economy) and discourages material use and waste (reducing the risks of economic shocks that a sudden change like peak oil pose). Such a shift in the tax approach would also reward those who choose to work less and consume less, an idea we'll explore further shortly.

Some proposals include setting limits on inequity, a major challenge we'll come to in the following chapters.

We can also put in place systems, in addition to tax changes, that actively encourage the workforce to choose to work and spend less, by providing more flexible working hours, including more part-time work. This starts to slow the economy without increasing unemployment as a result. It also generates a cultural understanding and live examples of people living happily in new ways—less work, less debt, less stuff, more fun, more community, and more security.

What the work of all these pioneers, from Adam Smith to Herman Daly, and the work of groups like Center for the Advancement of the Steady State Economy (CASSE)[2] and NEF tell us is clear. The task before us, while not simple, is also far from impossible. Given such change is the only option we have before us, short of allowing society to collapse, this is a welcome relief!

Getting to work on this transition will bring a substantial upside. While, as covered earlier, our response to climate change will deliver many immediate improvements in our quality of life, it is in designing a steady-state economy that the benefits really flow. This is where we start to reinvent the way we organize our economy, society, and lives to unleash our full human potential and creativity. In doing so, we will get to steadily improve life satisfaction and eliminate many persistent problems that have long dogged us, some throughout our existence—problems like extreme poverty and inequity, like unsafe communities and unhealthy cities, like our overworked and time-poor lives and resulting strained families. We'll return to this, including what we can do now to start the process by acting at the personal level.

While personal action will be important, especially at this early stage, urgency will require us to apply the enormous power of government to the task. We need policy that is designed around improving quality of life rather than economic growth for its own sake. It is frankly ridiculous that for many decades, the key measure by which we have judged governments' performance on social progress has been GDP, the total amount of economic activity in a nation. It is as though any economic activity is good, and therefore the more the better. This obsessive focus on economic growth as an end rather than a means has led to a very unhealthy system of measurement of progress. Despite the lack of evidence to support the current approach, it is a system that few mainstream political leaders have questioned in recent times. Consider though Robert Kennedy, who said in 1965:

> Too much and for too long, we seem to have surrendered personal excellence and community value in the mere accumulation of material things. Our Gross National Product . . . counts air pollution and cigarette advertising and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwoods and the loss of our natural wonder in chaotic sprawl. It counts napalm and it counts nuclear warheads, and armored cars for the police to fight riots in our cities.
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> Yet the Gross National Product does not allow for the health of our children, the quality of their education, or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country; it measures everything, in short, except that which makes life worthwhile.

There was clearly some serious reflection going on at this time following a period of such prosperity. Republicans were on the job as well, as indicated by President Nixon's comments in his State of the Union address of 1970:



> As we move into the decade of the seventies, we have the greatest opportunity for progress at home of any people in world history. Our gross national product will increase by $500 billion in the next 10 years. This increase alone is greater than the entire growth of the American economy from 1790 to 1950. . . . In the next 10 years we shall increase our wealth by 50 percent. The profound question is: Does this mean we will be 50 percent richer in a real sense, 50 percent better off, 50 percent happier?

As Robert Kennedy suggested forty-five years ago, we need to stop measuring our progress by *quantity* of activity and instead start to measure *quality* of life. This is the type of progress we should hold our governments accountable for.

There is a great deal of work under way to define the right way to do this, like the human development index devised by the UN Development Programme (UNDP), which adds life expectancy and quality of education to GDP. Another, and my favorite, is the happy planet index developed by the New Economics Foundation. The happy planet index adds life satisfaction levels to life expectancy levels and divides the result by the ecological footprint, thus measuring the length and genuine quality of life for present generations divided by the risk to future generations of any damage being done to our capital stocks.[3]

Am I off with the fairies or being gripped by naive idealism? Is such a radical transformation at all possible? Do I really think people would ever support such a profound change away from our current obsession with personal material wealth?

When we consider all this, it's important to remember the scale of the challenge we will face and what a great opportunity for radical shift a good crisis can create. We will be in a head space for change that is nothing like what we face now.

When you wonder if we can do this, consider the personal comparison of a conversation you're having with your doctor about the need for exercise when you're in good health vs. the conversation you have just after you've survived a heart attack. It goes from "Make an effort and you'll feel better and get benefits later" to "If you don't change, you'll die next time." The motivation is quite different. This will be our context.

Nevertheless, when you look at the current reality of politics and social change, it's easy to lapse into negativity and cynicism about our potential. I often have conversations with people who think we will just slide into collapse. They understand the key issue is not the conceptual potential of a steady-state economy or our technical capacity to design and deliver it. The issue is choosing to do so, and they don't see how we are capable of such transformational change.

I understand how observing our politics and our daily consumerism can lead to such an attitude. After all, as we discussed earlier, the main response of world leaders to the so-called global financial crisis, a crisis caused by excessive debt and consumption, was to borrow more money and give it to us so we'd get out and shop more.

However, when I think back over the history of humanity and look at how much we've changed since we evolved from our chimpanzee tendencies and how much we've developed over even just the last few hundred years, I see our potential differently. The change we make is often driven by necessity and a crisis, but the change is generally positive. This transition will be particularly challenging and is more complex than, say, winning a war or inventing new technologies, but it's nevertheless within our capabilities as well as potentially exciting and uplifting.

Despite the evidence of our history, we forget that dramatic and fundamental change in our behavior, culture, and values is not just possible, but is what clearly defines humanity—our ability for conscious and deliberate evolution toward a higher organizational state. This is what we've actually done, and we're about to do some more.

Again, though, the key to understanding this potential is to imagine the context—a crisis where the current way of doing things is finished and the only choice we have left is *how* we would like to change, not whether.

This means we need to start thinking now about what this new economy is going to look and feel like. I don't harbor any delusions that we're going to move to this in the next few years, but we are going to at some point, so the more we consider, debate, and experiment with the ideas involved, the better off we'll be when the time comes. If we choose the right actions now, we can be better off immediately while getting the system better prepared.

Part of this preparation is to take practical action. Actions like those described earlier—shifting the tax base from employment to materials and encouraging part-time work and less consumption. Such actions will reduce the severity of the later crisis as well as giving us valuable insights into what is effective, all while teaching the public and the business community what to expect in the future.



I won't go through any more of the theoretical design of this new economy. It has been well articulated elsewhere. However, while such research is incredibly important, this is not something we can leave to theoretical economists. If this is going to be a human-focused economy, we, the humans affected, need to engage with the ideas and start to define what we want going forward.

Of particular interest and focus should be what we can do today that starts us on the journey and delivers immediate benefits to our lives and our society. Are there such opportunities for personal and collective action, or is there nothing meaningful we can do until society as a whole moves?

The issue of personal vs. societywide action is an interesting question and goes to one of the key challenges that have always faced environmental campaigners. While it is appealing at a personal and social change level to get individuals to change their lightbulbs, lower their impact, and so on, there has always been this nagging doubt, for both those involved in the action and those advocating it, that it doesn't actually make any difference because the scale of the problem is so large and the personal action so small. Some even argue the psychological impacts are negative because it can "serve as a form of absolution that relieves people of the need to engage in the more radical political and lifestyle changes that are ultimately necessary."[4]

The response in its defense is usually two-pronged. First, on a personal level, those acting are empowered by their contribution—that action changes belief faster than the other way around. Second, advocates argue that it sends a signal to the market and to government that there is a desire for change.

Whatever the arguments about the benefits, no one argues that these personal measures have much direct environmental impact on a global scale.

The interesting question in our context, therefore, is whether actions toward a new economy carry the same risk. Will they involve personal sacrifice for negligible real benefit?

So with that historical context and these types of questions in mind, let's consider in some more detail what this new, steady-state economy will look and feel like. How will it be different with respect to the big global issues like poverty? What will it mean day-to-day for those who already have their basic needs met? Are there actions individuals can take now, and what would be the personal impact of doing so?

I can't cover all the issues involved, so I've chosen four to consider as examples as we think about the future: consumerism and shopping; poverty and inequity; business and investment; and, finally, work and communities. So let's dive into our future and see what it feels like.

CHAPTER 16

# *Yes, There Is Life After Shopping*

We'll start with what is arguably the central plank of the global economy. Let's go shopping.

As discussed the data now confirms what many of us have been feeling for a while. Once our basic needs are met, more possessions and more money, for which there's a price to pay in stress, time, and work, actually don't make us any happier or give us more satisfying lives. This is probably the most dangerous and threatening idea in this book. More than terrorism, more than war, and more than communism ever did, this idea strikes at the heart of modern global capitalism. What would happen if we all stopped shopping?

Of course, there's more to the issue of a quantitative economic growth than shopping, but shopping goes to the core of the problem, the solution, and the implications of a steady-state economy for global society. It also takes us out of economic theory and into the implications of all of this in our personal lives.

It goes to the essence of the issue because the global economy is built on a single assumption that is starting to look pretty shaky: that we are motivated to work hard and create more personal wealth to buy more stuff because it will improve the quality of our lives and those of our children.

If this assumption is false, and the data and common sense now say it is, the global economy could face a major crisis just with a change of public mood. This could be the aikido of political revolutions—a small,