

Self-control and Wellbeing

A summary of work by Professor Avner Offer *

Avner Offer makes the important point that “material abundance is not an end in itself: what we seek is wellbeing”. This resonates with WeD’s recognition of wellbeing as “the ultimate goal of community and development programmes and public policy”. However, Offer argues that achieving wellbeing is no easier in affluent societies than developing ones. His most recent book “The Challenge of Affluence: Self-control and Well-being in the USA and Britain since 1950” (2006) sets out some of the contradictions between affluence and wellbeing, and provides guidance to governments pursuing a wellbeing agenda.

While economic approaches to international development assume a positive relationship between affluence and wellbeing, this linear relationship has been challenged by scholars within the related fields of subjective wellbeing and happiness economics. For example, Easterlin (1973) observed on the basis of time-series data from USA and Japan that there was no link between the economic development of a society and the happiness of its members. This came to be known as the ‘Easterlin paradox’.

Offer’s unique contribution to this debate has been to identify a plausible mechanism underpinning this paradox. He argues that the negative effects of affluence occur through its effects on people’s relationships and the quality of their interactions with others: “affluence breeds impatience, and impatience undermines wellbeing”. For this reason “the flow of new rewards can undermine the capacity to enjoy them.” The reduction in wellbeing he describes occurs through a pathway of rising affluence increasing the thirst for novelty – in goods and relationships - which reduces both commitment and contentment and thus reduces wellbeing. Numerous studies have shown that “happiness comes from connection, unhappiness from isolation and exclusion”. Offer’s emphasis on social connection is a refreshing contrast to neoliberal visions of the good society which have less relevance to developing countries. He asserts that an extreme version of the ‘American dream,’ having “sufficient wealth to allow complete freedom of any social

dependency or obligation,” is neither attainable, nor conducive to wellbeing. For this reason state provision or regulation of services such as healthcare, education and housing is required to ensure security for all.

While there is a contemporary Western understanding of wellbeing as the property of the ‘self-regarding’ or self-actualised individual, Offer argues we need to acknowledge that this is problematic and novel in terms of both the “Western ethical tradition” and the “utilitarian outlook of the recent past”. It also transfers poorly to other contexts. The Western understanding of wellbeing is given its “scientific gloss” by the motivational theory of rational choice which asserts that people are driven by their own gratification rather than by previous norms of “strong reciprocity” that encouraged cooperation.

A rational choice perspective sees wellbeing as “self-defined” and “identified through the lens of market choice [which] implies consumer sovereignty, maximising profit and economic growth as the overriding objectives”. Its main axioms are consistency of preferences and completeness of information. However, research in psychology and behavioural economics suggests that people are ‘time inconsistent’ because they display contradictory preferences for immediate arousal and long-term security. In *Treatise on Human Nature* (1739), for example, David Hume observed that “there is no quality in human nature which causes more fatal errors in our conduct than that which leads us to prefer whatever is present to the distant and remote”. Time inconsistency is one reason why what people actually choose – their ‘revealed preferences’ - may not provide an accurate measure of their welfare.

Offer also sees the implicit dependence on choice as a problem within rational choice approaches which do not always take people’s myopia into account. He provides an example of state subsidy for television sets, quoting approvingly from the *Hindu Business Line* editorial in which they observe that “TV sets and toilets are not interchangeable” (i.e. home entertainment cannot compensate for the lack of state support for more basic services).

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People's ability to make optimal choices is also hampered by processes of 'habituation' where rewards provide diminishing satisfaction, of 'relativity' where people judge their success against others, and 'loss aversion' where the pain from losing status is greater than the pleasure from gaining it. This is why "economic growth with rising inequality can generate more pain than pleasure" and why the social costs of growth need to be off-set against the more fleeting pleasures captured by global happiness questions.

One way of managing problems such as habituation is, Offer argues, through "commitment devices" which are "conventions, norms and institutions" that provide an easy way of making decisions when people are faced with an array of choices with insufficient information to decide between them. Examples include personal strategies such as self-control or collective commitments such as funeral insurance in Ethiopia.

The government's role is to act as a "commitment agent for society [...] the trustee of those dimensions of prosperity which pay off over long periods of time". It is able to perform this role more efficiently than markets as "controlling the future by means of a private contract is uncertain and costly". Even where private provision operates relatively well, for example, telecommunications in Africa, it depends on government regulation to resolve inherent conflicts of interest between providers and public.

When measured in currency, less than half of our welfare comes from the market. For example, goods totalling approximately a quarter of GDP (home production and child care) are provided through non-market exchange. Another reason that wellbeing is "poorly measured by the metrics of economic activity" is provided by recent psychological research, e.g. Cziksmenthalyi, which suggests that balance is the key: "the flow of inputs should match our capacity to absorb them". This challenges the assumption within economics that consumers are insatiable as it suggests that wellbeing is enhanced not by maximising consumption but by limiting it at the optimal level of satisfaction. The existence of thresholds is supported by time series data that show rising subjective wellbeing levelling off at a certain level of income or GDP (cf. the Easterlin paradox). Nonetheless, individuals continue to take some pleasure in higher income, assuming that the increase in income is

relatively recent and their peers are not earning the same.

For these reasons equating economic growth with wellbeing is "to confuse the speed on the dial with the wellbeing of the passenger". In a UK context, the trade-off between growth and wellbeing has been "unmeasured costs in rising inequality, housing strain, transport congestion, de-industrialisation, and rising debt and insecurity [...] which has driven up house prices and consumer lending". These have caused a situation of "deteriorating environments, insecure and low paid jobs, unaffordable housing, more costly health, education and infrastructure, and outbreaks of alienation" where "the payoffs are disproportionately at the top". The problems associated with economic growth highlight the inadequacy of 'national accounts' as a measure of wellbeing. Even the provision of 'alternative' accounts incorporating the value of leisure, unpaid housekeeping and child care, and 'bads' such as prisons has not addressed fundamental problems with their failure to include depletion of natural resources and the costs of building and maintaining people's skills, knowledge and capability.

In addition to finding more accurate measures of wellbeing, Offer argues that governments of affluent societies can promote it in the following ways:

- Targeting social indicators such as adult literacy rather than measures of happiness (there is more evidence as to how these can be changed and why it would be beneficial to do so)
- Focusing on unhappiness and its causes (for example, unemployment, mental health problems)
- Acting as commitment agents on behalf of their citizens to overcome individual myopia and the problems faced by markets in providing long-term benefits
- Meeting the expectations of highly skilled professionals with markers of status such as membership of elite organisations (these do not generate negative externalities by increasing inequality or "positional consumption" (Hirsch, 1976).
- Taxing positional expenditure such as sports cars
- Supporting creative and reflective societies, rather than ones driven by the pursuit of status

Further Readings

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