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Abstract

This paper provides updated evidence on the possibility of a virtuous cycle that, by prioritizing subjective well-being in decision making, would lead to socially and environmentally sustainable economies where individuals can thrive. We first argue that economic growth does not guarantee better lives for individuals. Our policy efforts should instead concentrate on promoting well-being directly and establishing conditions that allow economic growth to enhance well-being. We then introduce neo-humanism, a framework to prioritize well-being in decision making, and review the key evidence linking social relations, sustainability, and economic performance. In addition, we provide new evidence on defensive consumption, introduce a new measure of performance - well-being productivity, and provide some examples of policies targeting subjective well-being directly. The main implication is that public policy should prioritize well-being in decision making, rather than focusing on growth in the hope that its benefits will eventually trickle down onto people.

Keywords: *subjective well-being; economic growth; Easterlin paradox; social trust; inequality; social capital; public policy*

- Economic growth is not always good, because production processes can rely on social and institutional arrangements that undermine well-being.
- The quality of growth matters: rising inequality and declining trust help explain why output gains do not always become life satisfaction gains.
- It is possible to lead satisfactory lives in socially and environmentally sustainable economies.
- Prioritizing well-being in policy making is the starting point.

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1. Introduction

The relationship between economic growth and human well-being has long been a central issue in economics and policy-making. Since the mid-twentieth century, GDP growth has served as the primary indicator of societal progress, with the implicit assumption that rising material prosperity translates into better lives (Samuelson, 1948). This assumption has guided policy-making across developed and developing countries alike, shaping priorities in fiscal policy, labour market regulation, industrial strategy, and international development (Stiglitz, Sen, & Fitoussi, 2009).

However, empirical evidence accumulated over the past five decades reveals that the positive relationship between economic growth and subjective well-being is not granted across countries. Easterlin's (1974) seminal observation that rising national income does not necessarily increase average happiness within countries over time - the so-called Easterlin paradox - has generated extensive debate and spawned a substantial research literature (Easterlin and O'Connor, 2022; Easterlin, 2014 and 2017; Stevenson & Wolfers, 2008; Clark, Frijters, et al., 2008; Clark et al., 2008).

This paper contributes to this literature by examining the conditions under which economic growth contributes to subjective well-being and by proposing to re-orient policy priorities toward well-being as the primary objective of decision-making. While the debate over the Easterlin paradox has often focused on whether the relationship between income and happiness is positive or flat over time (Stevenson & Wolfers, 2008; Easterlin et al., 2010), we address a more policy-relevant question: under what conditions does economic growth enhance well-being, and under what conditions does it fail to do so or even undermine it?

We maintain that making well-being the primary objective of policy making is the way forward to promoting socially and environmentally sustainable economies, in which economic growth is understood as a means rather than an end (Sarracino and O'Connor, 2025). This perspective is known as neo-humanism (Sarracino and O'Connor, 2023) to emphasize its focus on human flourishing within socially and environmentally sustainable systems. Neo-humanism does not advocate for degrowth, but rejects the idea that the economy should grow at any cost. It recognizes that the quality of growth - how it is achieved and distributed - matters as much as the quantity.

This framework builds on evidence from well-being studies, it integrates economic traditions that emphasize human development and capabilities (Sen, 1999; Nussbaum, 2011) while

incorporating insights from social capital theory, studies on inequality and on sustainability. It proposes that by prioritizing well-being, societies can initiate a virtuous cycle linking social relations, environmental sustainability, and economic performance. Stronger social relations reduce reliance on resource-intensive consumption, support cooperation in addressing collective challenges, and directly enhance well-being. Happier populations are healthier and more productive, generating resources that can finance further well-being-enhancing policies.

In this paper we relate to previous literature in several ways. Firstly, we refer to the extensive research on the relationship between income and subjective well-being. Easterlin (1974, 1995) documented that while richer countries tend to be happier at any point in time, increases in GDP over time did not correspond to increases in average subjective well-being. This paradox, which came to be known as the Easterlin paradox, has been replicated for a number of countries and time periods (Blanchflower & Oswald, 2004; Layard, 2005; Easterlin et al., 2010; Easterlin and O'Connor, 2022), though some scholars have challenged its universality (Stevenson & Wolfers, 2008; Sacks, Stevenson, & Wolfers, 2012). Here, we adopt a perspective according to which the relationship between growth and well-being is conditional across contexts (Mikucka et al, 2017).

Second, we contribute to the literature on social capital and well-being. Putnam's (2000) influential work documented declining social capital in the United States and its consequences for civic engagement and community life. Subsequent research has established robust links between social capital - measured through trust, social networks, and civic participation - and subjective well-being (Helliwell & Putnam, 2004; Bartolini et al., 2013; Helliwell et al., 2014). Here, we consider the dynamic relationship between economic growth, social capital, and well-being. In particular, we build on evidence that economic growth can erode social capital in presence of high inequality. When this happens, the potentially positive contribution of growth on subjective well-being is off-set by its negative consequences on social capital, and other relevant aspects of people's lives (Sarracino and Slater, 2025).

Third, we contribute to the literature on beyond-GDP indicators and alternative measures of progress. Since the influential Stiglitz-Sen-Fitoussi Commission report (2009), there has been growing recognition that GDP is an inadequate measure of societal well-being and that policy-making should be informed by broader indicators encompassing health, education, environmental quality, and subjective well-being (OECD, 2011, 2013; Fleurbaey & Blanchet, 2013). Several countries have developed national well-being frameworks (Allin & Hand, 2017; Exton & Shinwell, 2018), and organizations such as the OECD and the UN have promoted well-being measurement in policy contexts (Exton & Shinwell, 2018; Durand & Exton, 2019). This paper extends this work by providing an encompassing narrative in favour of subjective well-being as a

central indicator of societal progress. In addition, we refer to the concept of well-being productivity as a performance metric that captures societies' capacity to transform resources into quality of life (Rigas et al., 2025).

Finally, we contribute to the literature on sustainable development and degrowth. Scholars have increasingly questioned whether indefinite economic growth is compatible with planetary boundaries and whether high levels of well-being require ever-increasing consumption (Jackson, 2009; Raworth, 2017; Hickel, 2020; O'Neill et al., 2018). The neo-humanist framework offers a middle path: it does not reject growth per se, but subordinates growth to well-being and assesses economic activity according to its contribution to quality of life. This approach is consistent with recent work on "well-being economies" (Fioramonti, Coscieme, & Trebeck, 2022) and "doughnut economics" (Raworth, 2017), which seek to balance social foundations with ecological ceilings.

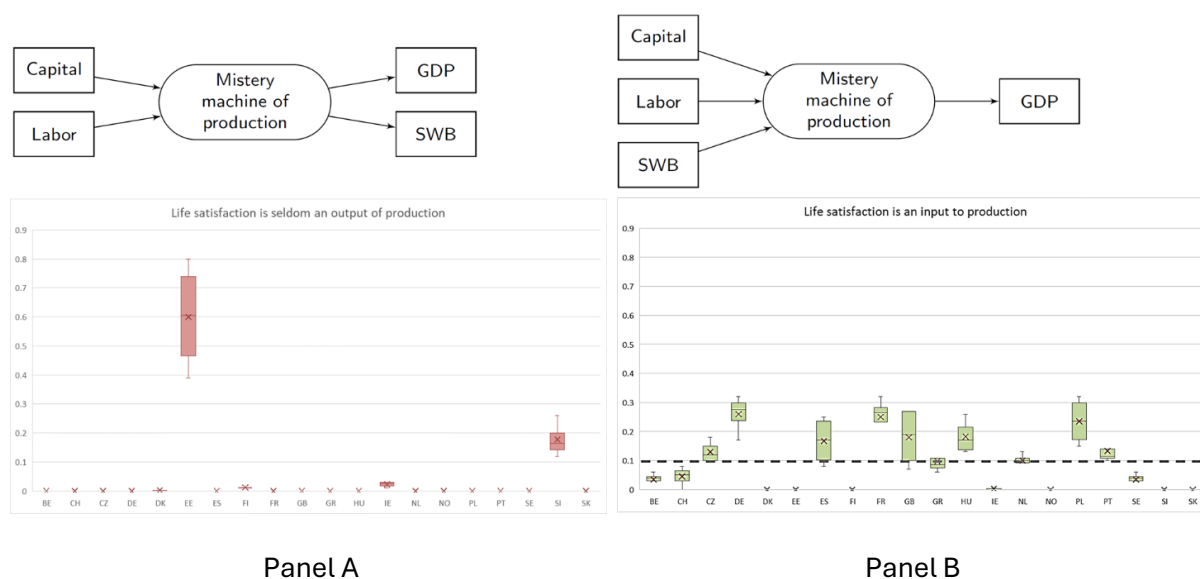
The structure of the paper is as follows. Section 2 establishes that economic growth is not inherently beneficial for well-being, demonstrating that how we produce matters as much as how much we produce. Drawing on DiMaria et al. (2020), we show that well-being is primarily an input to production rather than an output, and we review the Easterlin paradox and its implications. Section 3 examines the quality of economic growth, focusing on the mediating roles of inequality and social capital. We review evidence that economic growth can erode trust and that this erosion is amplified by rising inequality. Section 4 introduces the neo-humanist framework and reviews new evidence on four key topics: the role of social relations in addressing collective problems and moderating consumption; the direct effects of social and environmental conditions on well-being; the relationship between well-being and productivity; and the concepts of defensive consumption and well-being productivity. Section 5 discusses the practical implications of prioritizing well-being in decision-making, presenting specific policy interventions and emphasizing the need for a systemic approach. The conclusion synthesizes the main findings, discusses limitations, and outlines directions for future research and policy.

By examining when and how economic growth improves subjective well-being, this paper aims to provide evidence-based guidance for reorienting policy priorities. The ultimate goal is to contribute to the development of socially and environmentally sustainable economies in which people can lead satisfactory lives—not as a utopian aspiration, but as a realistic and achievable policy objective grounded in rigorous empirical research.

2. Economic growth and subjective well-being

To what extent is subjective well-being an output versus an input of the production process? Evidence indicates that well-being is prevalently an input to the economic process, but hardly an output of economic activity (DiMaria et al., 2022). As reported in panel A of Figure 1, European data between early 2000s to 2010 show that only a few country-years - predominantly Estonia and Slovenia - recorded a significant contribution of economic activity to the creation of life satisfaction. Conversely, well-being significantly contributes to economic activity in most country-years. Figures suggest that increasing life satisfaction by one unit would deliver efficiency gains equivalent to nearly 80 hours of work per year. This finding is consistent with the evidence demonstrating that subjective well-being, whether measured through life satisfaction, job satisfaction, or experimental methods, contributes to productivity in various ways (see for instance Peroni et al. (2022), Burger and colleagues (2025)).

Figure 1. Subjective Well-Being is an input to the economic activity, but not an output.



While these results are not surprising given the extensive evidence on the role of subjective well-being for productivity, what is controversial is the observation that economic production does not increase well-being, even in countries at the early stages of development – such as China in 1990s (Bartolini and Sarracino, 2015; Graham et al, 2017). This raises a fundamental question:

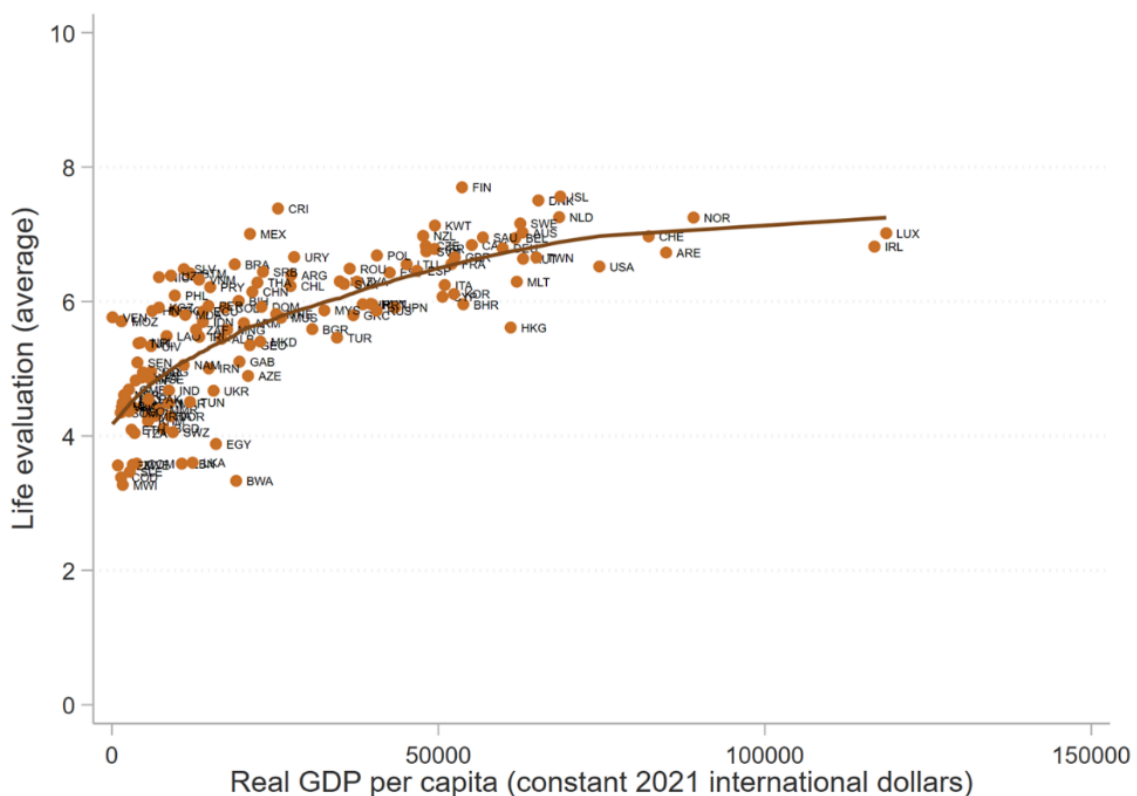
what is the point of organizing production processes efficiently if they do not improve individuals' well-being?

2.1 The Easterlin Paradox

The relationship between economic growth and subjective well-being has been extensively analysed since the seminal paper by Easterlin (1974), and consensus has largely been reached on the meaning and implications of the Easterlin Paradox.

The Easterlin Paradox arises from a contradiction between cross-sectional and time-series evidence. Cross-sectional evidence shows that, on average people tend to report higher levels of subjective well-being in richer countries than in poorer ones, although with decreasing marginal returns from additional GDP (Figure 2). This relationship is consistent with basic economic theory and is not surprising in itself.

Figure 2. Relation between GDP and subjective well-being across countries.



Source: own elaboration of Gallup World Poll data.

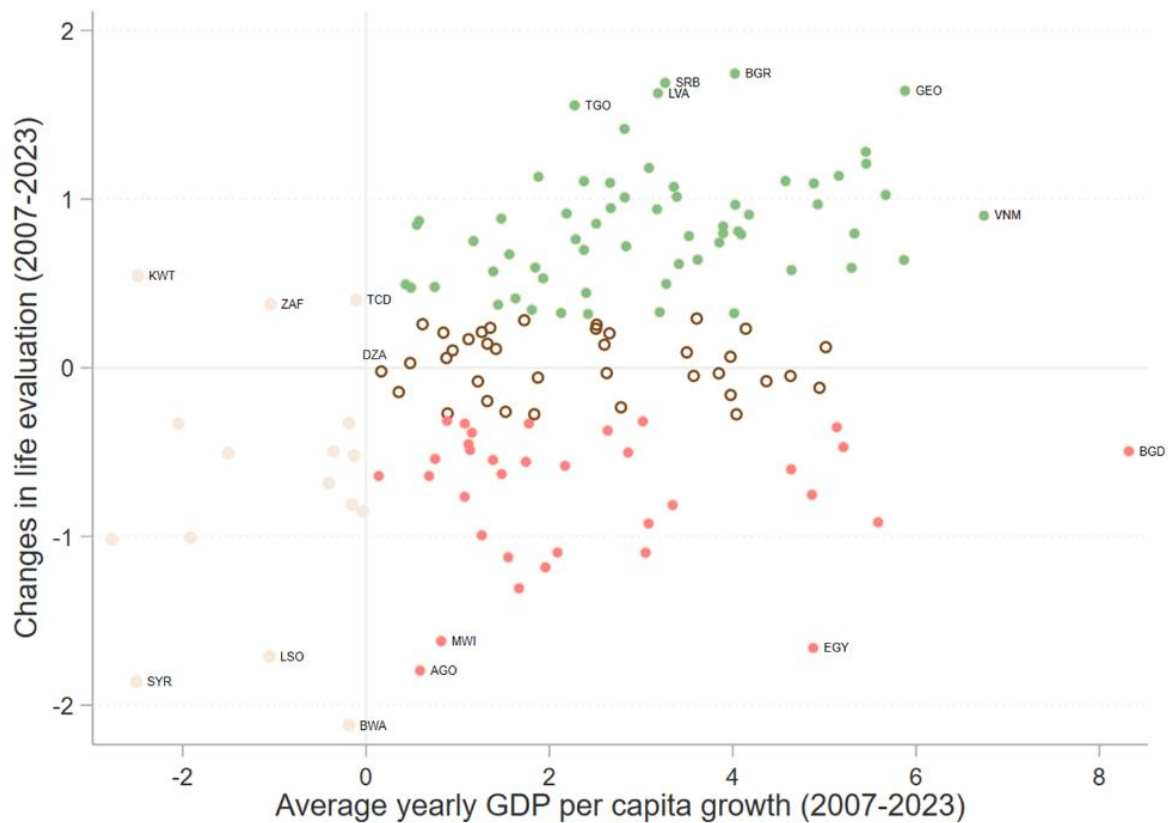
The paradox emerges when we examine time-series data. Figure 3 presents a scatter plot where the x-axis shows the yearly growth rate of GDP per capita and the y-axis shows changes in life

evaluation. Each dot represents a country. A substantial cluster of countries concentrates along the zero line, indicating that in these countries, the economy is growing but there are no significant increases in subjective well-being. This is the essence of the Easterlin paradox: over time, economic growth does not durably increase subjective well-being.

However, the scatter plot reveals considerable heterogeneity. Green dots represent countries where both the economy and life evaluation are increasing. Red dots represent countries where the economy is growing but subjective well-being, as measured with average life evaluations, is declining. This variation indicates economic growth can be linked to improving subjective well-being in some countries.

The relationship between growth and well-being can also change within countries over time. Japan provides a compelling illustration. Between 1980 and 1990, GDP per capita in Japan nearly doubled. However, life satisfaction stagnated during this period - a clear example of the Easterlin paradox. In contrast, during the following decades (1990-2010), which economists labelled the "lost decades" due to slower economic growth, life satisfaction increased substantially. Thus, what were economic "lost decades" were "booming decades" in terms of well-being (Sarracino et al., 2022).

Figure 3. Relation between economic growth and changes of subjective well-being within countries.



Source: own elaboration of Gallup World Poll data.

These findings demonstrate that the relationship between economic growth and subjective well-being is not straightforward. On average, there is no significant association between economic growth and subjective well-being. However, there are cases where the two variables co-evolve together and others where this is not the case. This observation suggests that economic growth is not always good or bad for individual well-being: the way we organize economic activity matters for its consequences on subjective well-being.

3. The quality of economic growth matters

Economic growth is the result of economic activity, which involves factors of production, but also institutions, values, culture, interactions among people, and interactions between individuals and the natural environment. The way economic activity is organized matters for the quality of growth, which can be either beneficial or detrimental to human well-being. For instance, excessive emphasis on incentives and competition on the workplace can crowd-out

cooperation; environmental deregulation benefits production to the detriment of the environment; unsociable working hours crowd-out leisure time. Hence, the relevant question is not whether economic growth can benefit well-being, but under which conditions it does so - and which conditions should be avoided to prevent growth from undermining well-being. This is a key question for public policy.

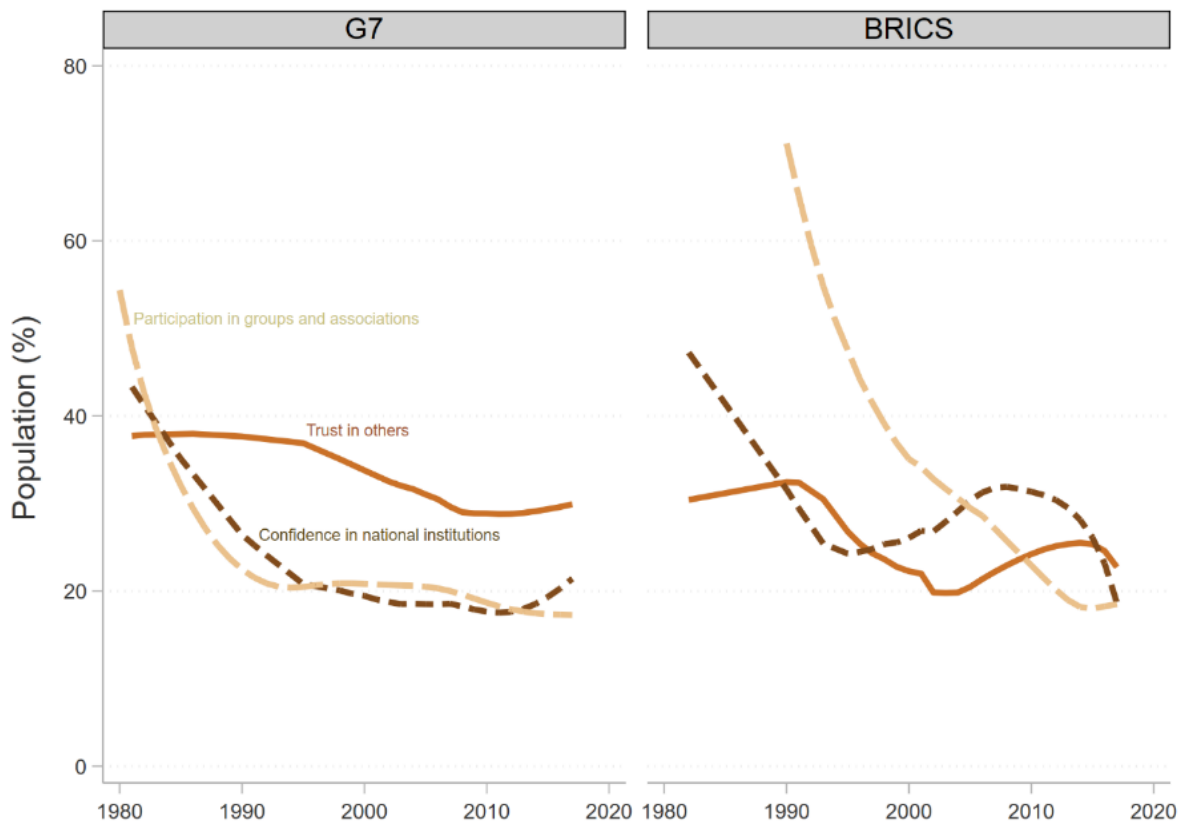
3.1 The Role of Trust and Social Capital

Since social capital, and trust in particular, are strongly associated with subjective well-being (Helliwell and Putnam, 2004; Helliwell and Wang, 2010; Bartolini and Sarracino, 2015; Helliwell et al., 2017), it is possible that economic growth undermines subjective well-being if it destroys social capital. What is the relationship between economic growth and social capital? This question is central in the literature on development economics, and most studies focused on the role of trust, a commonly used measure of social capital, as a catalyst for economic interactions (Arrow, 1972). This view is well summarized in Figure 4, Panel A, showing that cross-sectionally countries with higher levels of trust tend to be richer, and vice versa. There are various reasons for this relation: trust reduces transaction costs, facilitates work relations, reduces incentives for free riding and moral hazard, and mitigates principal-agent problems (Whiteley, 2000; Zak and Knack, 2001; Beugelsdijk, 2004; Beugelsdijk et al., 2005; Peiro-Palomino, 2016; Easterly and Levine, 1997; Knack and Keefer, 1997). This means that trust contributes to economic activity by smoothing work relations and liberating resources that can be reinvested in the production process, thereby boosting growth.

However, this cross-sectional relationship does not imply that increasing GDP raises trust over time. Figure 4, Panel B, shows that worldwide GDP has increased over recent decades while trust has on average declined. Such decline does not concern only trust in others, and affects both developed and developing countries: Figure 5 shows that participation in groups and associations, trust in others, and confidence in national institutions declined in both G7 and BRICS countries.

Sarracino and Slater (2025) showed that there is a negative, causal relationship between economic growth and trust. Using multiple econometric methods - standard fixed effects, two-stage least squares, and first-difference estimators - they documented that a one percentage point increase in GDP correlates with a decrease in trust of approximately 0.18 percentage points per year. Over ten years, a 1% annual growth rate would decrease trust by nearly 2%. These estimates track well observed data, such as the well-established declining trends of trust in others in the United States.

Figure 5. Declining social capital in the G7 and BRICS countries.

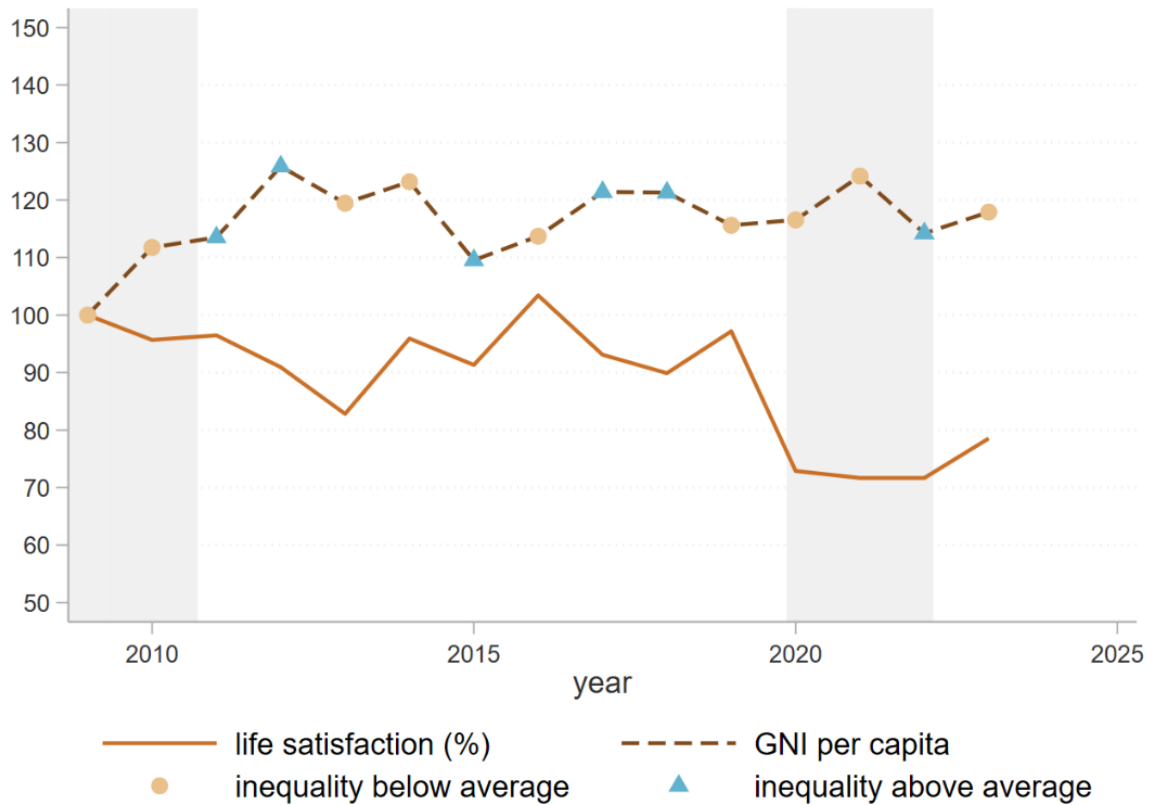


Source: own elaboration of SDR 2.0 data. Note: G7 stands for the Group of Seven. It is an informal forum of seven advanced industrial economies: Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. BRICS stands for Brazil, Russia, India, China, and South Africa. It refers to a grouping of major emerging economies.

3.2 The Mediating Role of Income Inequality

One explanation for the erosion of trust is rising income inequality. Following the example of the United States, Sarracino and Slater (2025) showed that between 1980 and the early 2000s, the relationship between trust and GDP was negligible: trust was stable and GDP was growing. This period was characterized predominantly by levels of inequality below the country average. However, the period after 2000 saw high and rising income inequality, which coincided with the erosion of trust observed in recent decades.

Figure 4. Income inequality, Gross National Income and life satisfaction in Luxembourg.



Source: own elaboration of Gallup World Poll and Penn World Tables 11.0 data.

We observe a similar pattern in Luxembourg. Figure 6 shows the share of people very satisfied with their life (solid line) from 2009 to 2023, alongside gross national income per capita (dashed line). Dots and triangles identify years when inequality is below or above average, respectively. The grey bars indicate major economic downturns - the 2008-09 financial crisis (which affected Luxembourg slightly later) and the 2020-21 pandemic. Both life satisfaction and GNI per capita are reported on the y-axis and rescaled to a common metric by setting their initial value in 2009 equal to 100. After the initial crisis period, life satisfaction began declining despite economic growth, coinciding with a period of high inequality. On the contrary, life satisfaction recovered when inequality was below average.

Mikucka and colleagues (2017) investigated the mediating role of inequality using 30 years of time-series data from 48 developed, developing, and transition countries. They found that economic growth is more likely to be associated with increasing subjective well-being within countries when inequality declines and trust stays, at least, stable.

There are various reasons to expect that inequality may hamper trust. In highly unequal societies, competition to improve one's position in society is more intense than in equal societies. This reduces incentives to help others, cooperate and trust others. In unequal societies, opportunities to share common experiences and build shared understandings across social strata decline, reducing the opportunities to build mutual trust and social cohesion. Additionally, Bartolini et al. (2023) showed that social capital acts as a substitute for social comparisons in individuals' well-being. The opportunity to establish social comparisons - essentially a measure of relative standing in society - increases in when inequality increases. The reason is that more unequal societies offer more opportunities to establish social comparisons. Since social comparisons and social capital are substitutes, individuals have less incentive to invest in social capital when social comparisons intensify, thereby crowding out trust and social capital.

It is worth emphasizing that, while we stressed the role of inequality and trust as important conditions affecting the relation between GDP and well-being over time, the literature has uncovered additional important factors, such as the role of employment, welfare state provisions, social safety nets, and health (e.g., Oparina et al., 2024; Sarracino and O'Connor, 2021; Sarracino et al., 2022).

4. Well-being should be the primary goal of decision making

The evidence reviewed so far suggests that subjective well-being should be the primary objective of decision-making, and economic growth should be considered as a means to achieve it (Sarracino and O'Connor 2025). Moreover, prioritizing well-being allows us to kick-start a virtuous cycle linking social relations, sustainability, and economic performance. This view is known as neo-humanism (Sarracino and O'Connor, 2023), and it suggests that societies can achieve high levels of well-being within socially and environmentally sustainable systems. Its premise is that economic prosperity should serve as a means to improve well-being, rather than being an end goal in itself.

Decades of research provided valuable insights into what contributes to well-being, including the role of income growth. For instance, strong social connections, good health, meaningful employment, sufficient free time, and access to green, walkable spaces are all key determinants of individual well-being. When these conditions are neglected, economic growth may fail to translate into better lives. Hence, public policies have the opportunity to prioritize directly

people's well-being, rather than focusing on economic growth in the hope that its benefits will eventually trickle down onto people.

Adopting policies to foster social relations - such as safe, walkable urban spaces, supporting volunteering and civic organizations, among others - is one way of targeting well-being, while also creating several downstream positive outcomes. For instance, investing in social relations favours cooperation which in turn makes addressing collective issues - such as environmental protection - easier. Moreover, social capital policies would decrease consumption: in fact, research has showed that individuals with richer social lives are less prone to social comparisons (Bartolini et al. 2023), and social comparisons are drivers of consumption (Frank 1985, Zheng et al., 2018)

Living in happier, greener and more sociable environments creates additional well-being, and happier people live longer, healthier, richer and more productive lives (Graham et al., 2004; Tay et al., 2014). This is important because it makes the public budgets of ageing societies more sustainable, and it means less absenteeism, lower job changes and quits, and more cooperation. The gains from increased productivity generate resources which can finance well-being policies.

In other words, increasing subjective well-being would liberate resources that can be used to create the conditions for additional well-being, hence effectively decoupling well-being from endless consumption growth. The result would be an economy that grows slowly, but geared to improve people's lives, in thriving social and natural environments. Considering the tendency of developed economies to secular stagnation, the perspective of delivering good lives in slow-growth economies should be appealing to most decision makers. By prioritizing well-being, neo-humanism offers a roadmap for economies that are socially and environmentally sustainable.

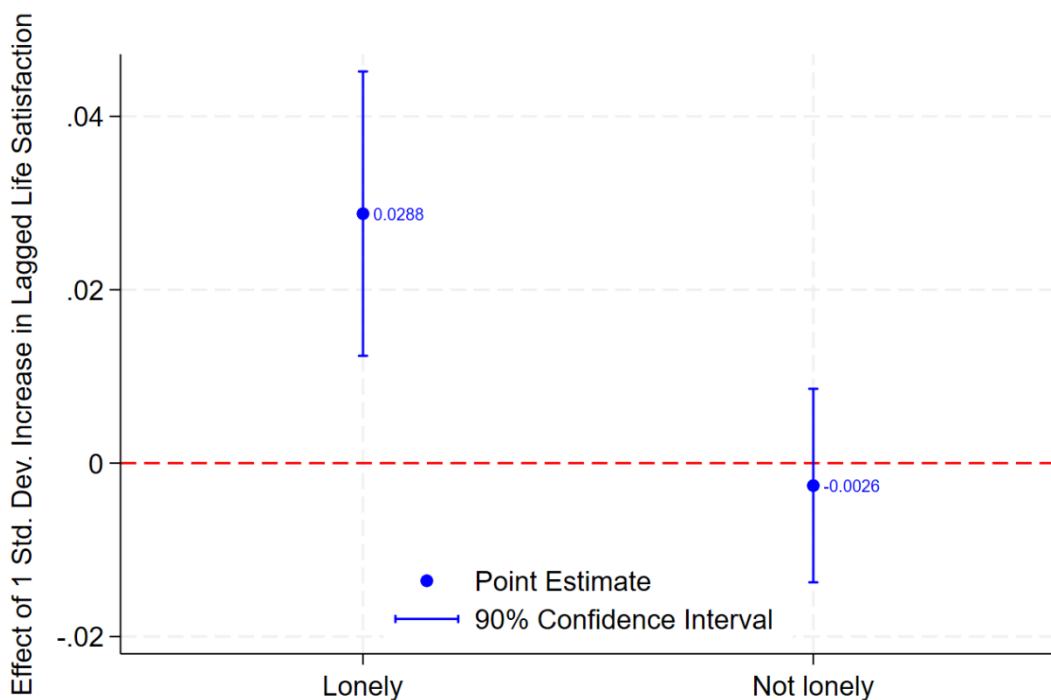
In the remaining of this section, we review recent empirical evidence on four key aspects of the neo-humanist virtuous cycle, namely the role of social relations in shaping the link between consumption and well-being, the relationship between well-being and productivity, defensive consumption and the concept of well-being productivity.

4.1 Addressing Collective Problems Through Social Relations

Social relations increase well-being, support cooperation to achieve shared goals, and likely do not increase consumption. Correlational evidence from the Australian household panel on income and labour dynamics indicates that increasing subjective well-being is positively associated with conspicuous consumption only among lonely people. Figure 7 shows that the

well-being of lonely individuals is positively associated with conspicuous consumption, whereas this relation is not statistically significant among others (Wu & Sarracino, 2025). This finding suggests that if subjective well-being is increased through social capital, conspicuous consumption does not increase. Hence, policies to reduce loneliness may help decouple well-being from consumption growth and spontaneously lead individuals to more sustainable lifestyles.

Figure 7. Role of subjective well-being for lonely and non-lonely people on conspicuous consumption

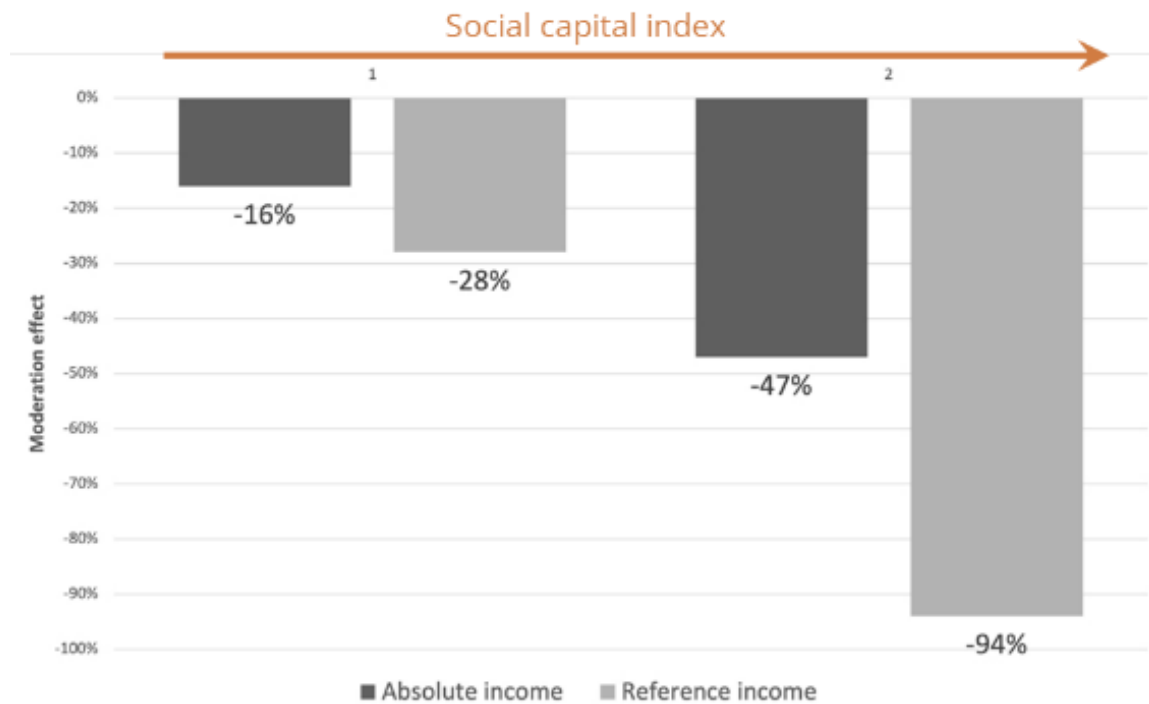


Source: Wu & Sarracino, 2025. Note: marginal effects of lagged life satisfaction on conspicuous consumption for lonely and not lonely respondents. The effect is positive only for lonely people, while for others the effect is smaller and insignificant.

Figure 8 shows the result of an earlier study by Bartolini and colleagues indicating that the subjective well-being of individuals with more social capital is nearly unaffected by social comparisons, and to a lesser extent by absolute income (Bartolini et al., 2023). The length of the light grey bars indicates the size of the moderation effect of social capital in the relation between income comparisons and subjective well-being. Moderation effects indicate by how much the association between income and well-being changes, for different levels of social capital. As social capital increases (from left to right in the figure) the bars become larger and negative,

indicating that income comparisons is nearly entirely unrelated to subjective well-being among individuals with rich social lives.

Figure 8. Social relations moderate the link between income, income comparisons and Subjective Well-being.



Source: Bartolini et al., 2023. Note: the size of the bars indicates the magnitude of the moderation effects, i.e. the percentage by which the original coefficients of income and social comparisons decrease when they are interacted with social capital. Negative percentages indicate that the association between income, social comparisons and subjective well-being diminishes for higher levels of social capital.

This result holds for a variety of measures of subjective well-being, social comparisons and various national and international datasets. These findings indicate that promoting social relations would reduce the importance of money and social comparisons for individual well-being. This result has two important implications: first, by reducing the importance of social comparisons in peoples' lives, promoting social relations would attenuate an important engine of consumption; second, if social comparisons matter less for well-being, then any increase in income would buy higher well-being because status competition would decline and the comparison treadmill would not operate. This suggests that strengthening social capital can reduce resource-intensive consumption patterns while maintaining or improving quality of life.

These findings have important implications for sustainability. Societies with richer social relations would be happier and they would spend less on conspicuous consumption. Consequently, policies that strengthen social capital can simultaneously improve well-being and reduce environmental pressures.

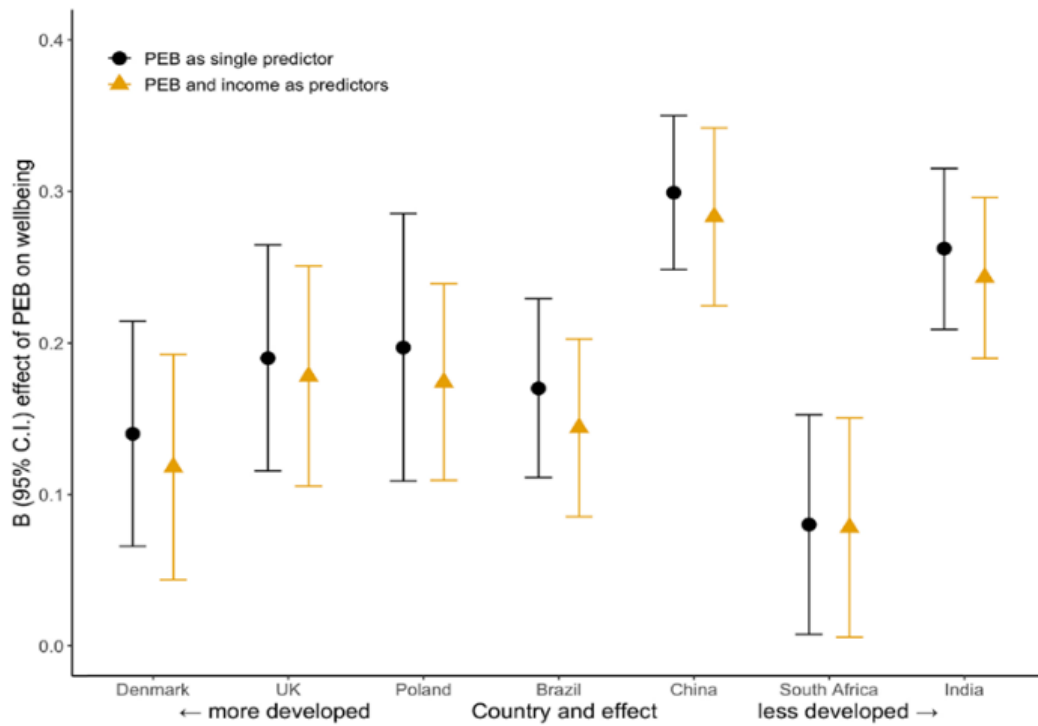
4.2 Social and Environmental Conditions

Living in more sociable and green environments is associated with higher subjective well-being (Dopko, 2015; Hunter et al., 2019; Lahart et al., 2019). What is more, a variety of studies show people engaging in pro-social and pro-environmental behaviours are more satisfied with their lives. Capstick and colleagues (2022) studied the effects of various pro-environmental behaviours on subjective well-being in seven developed and developing countries. Results are reported in Figure 9, Panel A: engaging in environmentally sustainable practices - such as reducing energy consumption, recycling, and using public transportation - correlates with higher life satisfaction. Dillenseger and Mouminoux (2026) reach similar conclusions based on experimental evidence from France using observed pro-environmental behaviours. At the same time, more research is needed to strengthen the causal evidence and further explore the relation as other studies reported no or very limited effects of pro-environmental behaviour on subjective well-being (Binder et al., 2026).

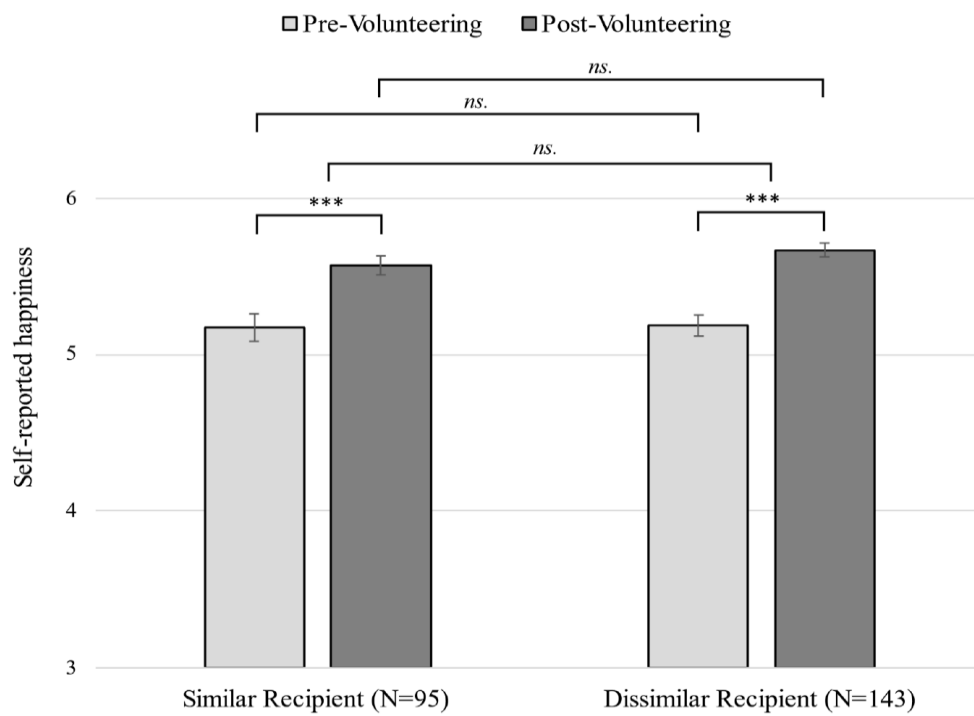
Figure 9, Panel B, shows similar evidence for pro-social behaviours (Proulx et al., 2023). Volunteering, helping others, and participating in community activities are consistently associated with higher well-being. This is the result of a pre-registered field experiment with 238 primary school-aged children randomly assigned to package essential items for homeless or poor children who were either demographically similar or dissimilar in age and/or gender to them. The length of the dark grey bars indicates that doing something for others increases subjective well-being and that the effect does not differ for children who helped a similar or dissimilar other. Moreover, pro-social behaviours are associated to fewer deaths of despair, an objective measure of well-being (O'Connor et al., 2025a).

Altogether the evidence from this and the previous section suggests that investing in social relations would benefit subjective well-being both directly and indirectly, may lead to a reduction in consumption, and enable cooperation to address collective problems, such as environmental degradation. This will promote well-being in socially and environmentally sustainable communities.

Figure 9: Engagement in pro-environmental and pro-social behaviours correlates with higher subjective well-being.



Panel A



Panel B

Source : Capstick et al. 2022; Proulx et al., 2023. Note: in Panel B, children were assigned to package essential items for children who were either similar (see bars on the left hand side) or dissimilar (see bars on the right hand side) in age and/or gender to them.

As mentioned, higher subjective well-being has several desirable consequences as well. Happier people tend to live longer and healthier lives (Graham et al., 2004; Diener and Chang, 2011; Diener and Tay, 2017), which has the potential to benefit the sustainability of public budgets in aging societies. Happier people are also more productive, and this will benefit the economy – as discussed in the next section.

4.3 Happier and more productive

The relationship between subjective well-being and productivity is at the centre of a large body of research in economics. This literature has documented the positive contribution of subjective well-being to various measures of productivity and economic performance. Table 1 provides an overview of previous studies which used different methods, covered different years, and analysed data at various levels of aggregation (spanning from individual level to firm, industry, region, or country-level data).

Table 1. Summary of the evidence on subjective well-being and productivity.

| Authors | Measure | Effect | Method | Period | Level |
|-------------------------------|-------------|----------|--------------------|-----------|------------------|
| Bockerman & Ilmakunnas (2012) | Job Satisf. | 6% | OLS + IV | 1996-2001 | Finnish plants |
| Peroni et al. (2022) | Job Satisf. | 5% | OLS (lags) | 2010-2018 | EU industries |
| | Job Satisf. | positive | OLS (panel) | 2004-2011 | UK establishment |
| Oswald et al. (2015) | SWB | 10-12% | experiment | | individual |
| Bellet et al. (2024) | SWB | 12% | Natural experiment | 2017/18 | individual |
| DiMaria et al. (2020) | SWB | 80 hours | DEA | 2004-2010 | EU countries |
| Burger et al. (2025) | SWB | 17% | OLS + Lewbel IV | 2008-2021 | EU regions |

Source: own elaboration based on Peroni et al., 2022. Note: Job Satisf. stands for job satisfaction; SWB stands for subjective well-being. The acronym DEA indicates Data Envelopment Analysis, OLS stands for Ordinary Least Squares and IV for instrumental variables.

Each study, however, consistently found a positive and significant link to subjective well-being. For instance, Peroni and colleagues (2022) analyse industry level data across Europe and find that an increase of 1 point in job satisfaction correlates with increasing productivity by 5

percentage points, and productivity growth by 6 percentage points. More recently, Burger and colleagues (2025) showed that higher subjective well-being across European countries increases Total Factor Productivity (TFP) by 17 percentage points. Using Data Envelopment Analysis (DEA), Di Maria and colleagues (2020) documented that a unit increase in subjective well-being in countries such as Germany or France correlates with efficiency gains that are equivalent to nearly 80 working hours. This result suggests that we could reduce working hours by nearly two weeks per year while leaving economic output unchanged. While productivity gains are typically used to increase output, they could also be used to maintain output and reduce inputs, thereby freeing resources to support well-being policies, for instance.

There are numerous studies demonstrating additional positive correlations between subjective well-being and labour outcomes and firm performance, including lower likelihood of unemployment and quitting (O'Connor 2020, O'Connor et al. 2025b), lower absenteeism (Powell et al., 2014), improved customer satisfaction (Powell et al., 2014, Krekel et al., 2019), and improved recruitment (Ward 2022).

This reasoning assumes that expanding our economies does not need to be a priority. Is this possible? To answer this question, let us consider what economic growth means in practice.

Over the past decade the world economy has grown at a 3% rate per year. In 2021 the world GDP was 101 trillion dollars. This means that, with same rate of 3% growth, in 2022 GDP should have increased by about 3 trillion dollars – nearly 40 times the GDP of Luxembourg¹. Suggestively, imagine the GDP of one of the richest countries in the world multiplied by 40. With the same 3% growth rate, in 2030 the world GDP would be around 131.7 trillion dollars, that is, an additional 3 billion dollars each year. Seen from this point of view, a 3% growth rate looks small. However, this number conceals the fact that each year, from 2021 to 2030, world consumption will increase more than 40 times the yearly GDP of Luxembourg. However, the world population does not grow at a sufficient speed to absorb such levels of production. This rate of growth can only last indefinitely if we extended individuals' capacity to absorb such high consumption levels – that is, if we could make people buy cars, clothes, mobile phones, computers, home theatres, security systems, and new products and services at faster rate.

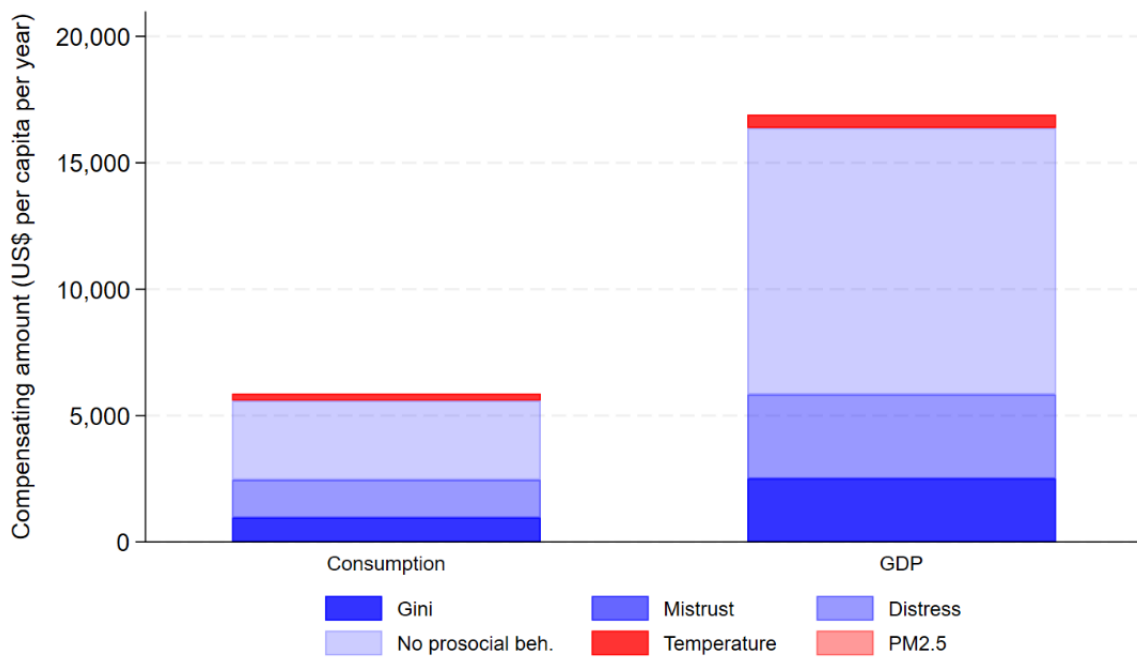
One thing we should note is that in our argument we are momentarily neglecting world poverty: poorer people around the world would incredibly benefit from increased growth and access to more resources. However, inequality makes the benefits of growth even more questionable as a

share of the world population lives in abundance, at times excessive wealth, whereas the remaining part finds itself in the waste and degradation that the rich have produced.

4.4 Defensive Consumption

Not all economic activity improves living conditions. Part of consumption is for defensive purposes, i.e. to protect well-being against the negative consequences of social and environmental degradation. If cooperation to address collective problems is infeasible, people turn to individual, private solutions to try and improve their lives. This form of consumption is defensive. For instance, if climate change makes for extremely high temperatures, people can install air conditioning units; if criminality increases, individuals can invest in any system to protect themselves and their belongings, from alarm systems to private protection services. In these cases, individuals are adopting private solutions to address collective problems. The sum of all these individual efforts contributes to growth through increased consumption, but not to durable societal improvements in subjective well-being. This is because any individual well-being increment through defensive consumption is the result of private activity that could have been better addressed collectively, especially by avoiding the cause to begin with. In order to consume more, individuals need to earn more, typically by working longer hours, which reduces their time spent on otherwise preferred activities. Because collective action is coordinated action, it tends to be more effective than the sum of individual actions and would thus free up time and resources for more well-being enhancing activities. Hence, the need to redefine GDP to correctly reflect the development of a country (Basu, 2025).

Figure 10. Estimated compensatory amounts for the United States



Source: Slater and Sarracino, forthcoming. Note: PM2.5 stands for particulate matter 2.5, tiny, inhalable air pollution particles with a diameter smaller than 2.5 μm .

Recent findings, for example, show that the United States would need the equivalent of nearly 12% of their yearly per capita consumption to compensate for the well-being losses due to “social bads”, such as income inequality, distress, and low pro-social behaviour (see figure 10) (Slater and Sarracino, forthcoming). If we could eliminate such bads, consumption would be smaller and growth slower, but we would live happier, more sociable and greener lives.

4.5 Well-Being productivity

Prioritizing well-being requires new measures of performance that are not limited to income or economic growth. One such measure is well-being productivity, which captures a society’s capacity to transform available resources into subjective well-being over time (Rigas et al., 2026). More precisely, well-being productivity tracks changes in well-being efficiency over time – that is, the degree to which countries convert resources into well-being outcomes (Sarracino and O’Connor, 2022; Binder and Broekel 2012). A society with higher well-being efficiency achieves higher levels of subjective well-being with a given set of resources. Conversely, a society with lower well-being efficiency achieves less well-being from comparable resources.

Rigas and colleagues (2026) estimate well-being productivity for countries between 2006 and 2023 using six resources identified in the World Happiness Report framework: GDP per capita, social support, years of healthy life expectancy, generosity, absence of corruption and freedom of choice. Results suggest that, on average, countries made very limited progress in improving their ability to turn available resources into well-being. Yet, this average conceals substantial differences across countries. Importantly, these differences are associated with broader conditions, such as carbon dioxide emissions (a proxy for environmental degradation), unemployment, and government health expenditures. This means that countries may possess valuable resources, but they do not translate into better lives equally well when environmental degradation is high, employment conditions are weak, or public health systems are under-supported.

Using well-being productivity, progress can therefore be assessed by asking whether well-being is rising, and how effectively societies convert their resources into better lives. This changes the evaluative perspective: rather than assuming that more resources always lead to greater well-being, well-being productivity points the attention to the quality of the conversion process itself. Countries can then benchmark their performance in terms of GDP growth, and of their capacity to transform economic, social, and institutional resources into sustained improvements in quality of life.

Well-being productivity also highlights a broader space for policy intervention. Countries do not necessarily need to expand their resource base to improve people's lives; they may instead achieve higher well-being by using existing resources more effectively, thus decoupling well-being from resource growth. Increasing well-being productivity by 10% has the same impact on well-being as increasing resources by 10%. This is relevant for public policy: in a resource-constrained world, improving the social capacity to produce well-being may be as important as, and perhaps more sustainable than, increasing the volume of resources themselves.

5. What does it mean to prioritize SWB in decision-making?

The evidence reviewed so far suggests that policy should target well-being more directly, rather than investing resources in economic growth with the expectation that its benefits will eventually trickle down to people's lives (Sarracino and O'Connor, 2025). This requires appropriate measurement frameworks, but also knowledge of which policies can improve well-being in

practice. In recent years, international institutions and national governments have made substantial progress in measuring well-being and incorporating it into decision-making (Exton and Shinwell, 2018). These efforts are essential, but measurement alone is not enough. Well-being frameworks must inform concrete policy choices.

At the same time, some policy implications are relatively well supported by evidence and can be implemented with traditional policy tools. Others would require deeper changes in economic organization and therefore require more political commitment. Below we focus on two especially compelling priorities - reducing inequality and investing in social capital.

5.1 Reduce Inequality

High income inequality weakens the relationship between economic growth and well-being by intensifying social comparisons, eroding trust, and encouraging defensive consumption (Sarracino and Slater, 2025; Slater and Sarracino, forthcoming). Policies that reduce large disparities in income and access to essential goods are therefore likely to benefit well-being both directly and indirectly.

Progressive taxation is one potential policy, as it establishes a tax system that places a higher burden on those with greater financial capacity, thereby reducing post-tax income disparities. Minimum wages and other forms of wage-floor regulation can protect low-paid workers and limit the extent to which labour markets generate material insecurity (Autor and Manning, 2016). Universal basic services - such as healthcare, education, childcare, public transportation, and access to cultural and recreational infrastructure - can further reduce inequality in lived experience by ensuring that essential conditions for a decent life do not depend entirely on private purchasing power (Buchs, 2021).

By limiting the social distance between groups and creating shared institutions that people use across the income distribution, these policies can strengthen social cohesion and reduce status competition besides their direct redistributive effects (Fehr et al., 1999; Kanistar, 2022). Policies that reduce inequality can therefore also protect the social conditions on which collective well-being depends.

These reforms are not costless and may face opposition: employers may resist labour-cost increases; affluent groups may oppose stronger redistribution; and universal services require sustained fiscal capacity and administrative competence. However, reducing inequality appears to be one of the most robustly grounded ways of aligning economic organization with well-being, social trust, and a lower dependence on defensive forms of consumption. Ultimately, any short-

term efficiency losses are likely to be outweighed by gains in well-being, improved health outcomes, and stronger social ties.

5.2 Investing in social capital

A second priority is to strengthen the social foundations of well-being. Social relations increase life satisfaction, promote resilience, and enhance people's capacity to cooperate in addressing collective challenges (Helliwell and Wang, 2010; Helliwell et al., 2010; Bartolini et al., 2020; Sarracino et al., 2024). Although governments cannot create trust or friendship, they can provide the conditions in which relationships and civic participation can flourish.

For instance, urban planning can foster environments in which people can meet and build relationships by investing in safe and walkable public spaces, parks, pedestrian zones, community centres, and public squares (Montgomery, 2013). Likewise, promoting public transportation reduces environmental impacts while facilitating social interaction and preventing social isolation (Lamanna et al., 2020).

Social prescribing - a model pioneered in the UK - offers healthcare systems a framework to prescribe social activities like group exercise, arts programs, or volunteering as a means to address mental health issues, reduce loneliness, and promote social connections (Wakefield et al., 2022; Rzepnicka et al., 2025).

Providing funding and institutional backing for local communities and civic associations also fosters social bonds and encourages active participation. Such funding allows associations to organize events and activities that bring people together, creating a sense of belonging and mutual support. These gatherings strengthen existing relationships and facilitate the formation of new connections among individuals who may not otherwise interact. Moreover, institutional backing provides legitimacy and stability to these organizations, enabling them to operate effectively and sustainably over time. This support can come in various forms, including access to public spaces for meetings, technical assistance in project planning, and collaboration with local governments.

Particularly promising are volunteering programs to create structured opportunities for interaction between elderly and young people (Proulx et al., 2023; Helliwell et al., 2024). Such initiatives foster intergenerational solidarity and mutual support. By facilitating these connections, such programs help bridge generational gaps, allowing both age groups to learn from one another and share valuable life experiences.

These initiatives recognize that social relations are public goods that can be nurtured through thoughtful policy interventions as they benefit well-being directly and enhance cooperation. Investments in volunteering programs would benefit the receivers, the donors and strengthen the fabric of our communities. This interconnectedness improves the collective capacity to address shared challenges, enhances social resilience, and favour creative and innovative solutions as diverse perspectives come together to explore new ideas and joint solutions. Hence, even if governments cannot create social relations, supporting the conditions to establish social relations is strongly justified by evidence and feasible based on previous policy experiences.

5.3 The Need for a Systemic Approach

These policies must be part of a systemic approach to reforming societies. Cherry-picking individual policies can backfire. Without a comprehensive program that addresses multiple dimensions simultaneously, individual policies may be undermined by opposing forces and unaligned incentives. Investing in public spaces without ensuring safety may not increase social interaction. Progressive taxation without visible improvements in shared services may be experienced as punitive rather than solidaristic.

A systemic approach necessitates coordinated action across various policy domains, including fiscal policy, labour market regulation, urban planning, environmental protection, education, and healthcare. It requires a fundamental shift in policy priorities from maximizing GDP to maximizing well-being.

5.4 The Virtuous Cycle

Society could initiate a virtuous cycle by prioritizing people's well-being in policy making, thereby benefitting people, the environment, and social relations, which in turn positively reinforces well-being. The cycle can be summarized as follows:

1. **Reducing inequality reduces social comparisons**, which are an important driver of consumption and undermine the benefits of income growth. In theory, when people feel less pressure to "keep up" with others, they desire less to consume for status reasons.
2. **Favouring social capital increases the ability to cooperate** and work together to address collective problems, benefiting society as a whole.
3. **Living in greener and more sociable environments** is conducive to higher well-being.
4. **Happier people benefit society as a whole**: They tend to live longer and healthier lives, which improves the sustainability of public budgets in aging societies. Moreover, happier

people have better labour outcomes and improve firm performance including productivity.

5. **Productivity gains can finance well-being policies:** The productivity returns from higher well-being can be used to finance policies that further enhance well-being - such as earlier retirement, infrastructure for social relations, and support for volunteering initiatives.
6. **The virtuous cycle contributes to a happier and sustainable society:** One that may not grow as rapidly as traditional economists might expect, but one that is better organized to improve quality of life.

This virtuous cycle demonstrates that focusing on well-being is both ethically advantageous and economically viable, offering a route to socially and environmentally sustainable prosperity.

Conclusion

In this paper, we argued that subjective well-being should be the primary goal of decision-making, with economic growth serving as a means to enhance lives, not an end in itself. The way we achieve growth matters: how we organize production and consumption, distribute resources, and structure social relations determines if growth leads to better lives.

We presented substantial empirical evidence in support of our claims. Firstly, research has shown that economic growth does not necessarily improve subjective well-being. Secondly, evidence supports the idea that it is the quality of economic growth that determines societies' subjective well-being. Rising inequality and declining social capital partly explain the average nil relationship between economic growth and well-being. When growth is accompanied by high inequality, it erodes trust and intensifies social comparisons, ultimately undermining well-being. Hence, policies aiming at strengthening social capital and decreasing inequality can make economic activity more compatible with well-being, while at the same time reducing social comparisons.

Our main argument is that societies should adopt the neo-humanist narrative: policy efforts should be redirected from economic growth to well-being, and new measures of assessing performance should be used. In particular, policies should focus on the main determinants of well-being: social relations, employment conditions, and environmental quality. For example, progressive taxation and universal basic services can reduce income inequality, while investment

in public spaces can foster social connections. However, we note that adopting a systemic approach to well-being policies is essential. Isolated policies risk backfiring if they are not part of a comprehensive approach to policy making that addresses multiple dimensions of quality of life simultaneously.

This narrative should be supported by new measures of performance to monitor well-being and how sustainably we achieve it. For instance, well-being productivity measures the capacity of societies to transform resources into quality of life. This metric highlights that high quality of life does not require ever increasing growth, and that we can achieve high well-being by making better use of available resources.

We conclude by observing that a virtuous cycle between well-being and production is possible. Prioritizing well-being can initiate positive feedback loops linking social relations, environmental sustainability, and economic performance. Happier people are healthier, more productive, and consume less conspicuous goods, creating resources to finance further well-being policies.

The main implication for policy-makers is that they should target well-being directly rather than focusing on growth and hoping that benefits will trickle down to well-being. This reorientation offers a path toward socially and environmentally sustainable economies in which people can lead satisfactory lives.

Important causal relations among key variables remain open, including the direction and strength of the relationships between well-being and consumption patterns, and between well-being and pro-environmental behaviours. We also need to clarify the institutional conditions under which economic activity enhances rather than undermines well-being, and how to design incentive structures that align production and consumption with human flourishing. Similarly, we need better measures of well-being productivity and defensive consumption. Finally, evidence alone will not be sufficient to initiate change: a transition toward neo-humanism will meet substantial political and economic resistance, as well as coordination problems that complicate systemic reform.

Despite these open questions and political challenges, research is progressing and the evidence we discussed is promising: thriving lives in socially and environmentally sustainable societies are not only desirable but also achievable. The challenge is to translate this knowledge into policy action. By making subjective well-being the primary objective of decision-making, we can create economies that serve human needs rather than requiring humans to serve the economy. This is the promise of neo-humanism, and it offers hope for a better future.

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