
Globalization, Economic Growth and Happiness: The Perspectives of an Economy Based on Non-Material Values

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Why it is so important to maintain a continuous economic growth within a planet showing clear signs of its exhaustion is an important issue that is questioned more and more often in the last decade or so. The main motivation is to create the resources needed for people to live better and to be happy. A closer look of what the sources of happiness are and how they relate to economic growth reveals that the relation is not straight-forward. Further economic growth depends on many factors but it is assumed that globalization would create favourable conditions for all countries. Empirical evidence indicates that developing countries are in fact the ones that benefit less from globalization.

Keywords: *subjective wellbeing, wealth, income, health, sustainable development.*

Introduction

The World Happiness Report 2015 [1] provides a top of world nations according to the happiness felt by the population of each country. Comparing it with previous similar reports [2], an interesting change is occurring on the top. Thus, the first two places are occupied by countries

with very high development level, while the first ones in previous assessment, countries such as Costa Rica, Vietnam, and Columbia, are not in the first ten places, although they have better positions than developed countries like USA, Japan, and France etc. The change might have at least two explanations: the first one is implicit, meaning the change within the same valuation system, while the second could be proposed considering the assessment methodology, respectively a change that is not occurred in real life, but the change of the reference system.

The opportunity of such assessments emerged with the need to demonstrate the importance of economic growth, since more and more studies ([3], [4], [5] etc.) claimed that the main engine of social progress should not be the economic growth because the potential of technological and managerial innovation cannot offset their negative ecological impact. According to these studies, the continuity of economic growth will be disrupted by reaching the limits of the ecological support capacity, the unknown issue being the timeframe then it will happen.

The global ecological crisis, recognized at highest level, is already the direct cause of some social and economic problems. Nevertheless, this does not yet have impact on the global rhythm of economic growth due to inequalities in development and the exploitation of natural resources.

For outlining a vision on the social-economic model that will provide happiness there are necessary more clarification, out of which we remind: is the reduction of development inequalities an on-going process?; if the answer is positive, at what time horizon is to be expected a significant reduction of them?; which is the acceptable or target level of inequality supposing that inequality is unavoidable and it does not exclude happiness?; at what extent globalization contributes to the reduction of inequalities and to happiness?; how long economic growth could continue?; which are the ecological restrains that will have a significant impact on economic growth?; which is globalization's contribution to the world and national economic growth?; at what extent global environmental management could influence economic globalization? and others. Based on current knowledge on these issues more or less equivocal answers were given that allowed the outlining of social-economic models that provide and integrated solution for an autonomous balance status.

Sustainable development represents the best known model of this type and it gained a global acceptability. However, the modest

accomplishments compared to the model's exigencies justifies revisiting the analysis. In this respect we will use three elements to be important for such model: globalization, economic growth and happiness. Globalization defines the current social-economic context and for building a social-economic model it is necessary to take in account its implications at different levels. According to major opinions from the economic theory and practice, economic growth is a necessary condition for social progress. Happiness represents the perception of outcomes and individual and social level, respectively the main motivation that legitimize both globalization and economic growth.

Economics of happiness – drivers and paradoxes

There are few goals that are so generally accepted as happiness. The production of goods and services by economic activities is not a final outcome by itself, but as it has value or contribute to happiness. However, economic studies ignored for a long while the concept of happiness, this being studies by other disciplines.

The theoretical premises of economics are that happiness cannot be measured and used for determining the impact of economic policies. Basic concepts such as utility are formulated against the notions of pleasure and suffering, and for measuring happiness it was proposed the so-called hedometer [6]. This finality is seldom assessed in the economic analyses, these being closed by conclusions referring to the economic activity. The theoretical premises for evaluating happiness could be followed in previous studies, its justification being linked to the notion of relative utility. According to it human behaviour is influenced by the relative utility and not by the cardinal utility. Thus the assessment of wellbeing could be made by using the Pareto criterion and it is not necessary to compare different levels of wellbeing.

Legitimizing the continuity of economic growth, especially after 1972 then the Club of Rome proposed the zero economic growth as solution to avoid the crisis of resources provided enough motivation to transform happiness in a field of interest for the economic research.

The economics of happiness pursues to identify methods and techniques precise enough to measure happiness in order to identify its drivers. In other words, it is desired a rational answer to a simple question:

what makes people happy? Knowing the answer would provide a major theoretical underpinning for economic policies, on the one hand, in the meanwhile being indicative on outlining the goals of economic policy.

A major challenge for the economics of happiness was launched by [7]. The main claim resulting in controversies was that incomes do not increase happiness. Departing from this daring thesis many studies were made to identify the sources or the drivers of happiness.

In study [8] is made a synthesis of empirical results and points of views proposed in the last decades. Thus, the drivers of happiness that were analysed by most of the studies are:

- Incomes: economic researches are underpinned by the assumption that higher incomes are correlated with a higher level of happiness. The theoretical substantiation of this assumption is stemming in the utilitarian theory [9], according to which utility represents the manifestation of benefit, advantage, pleasure, good and happiness. Most of the empiric studies that compare the level of incomes and happiness at a certain point in time confirm this relation. The Easterlin's paradox shows up then the dynamic of the two processes is compared. Thus, increasing incomes of a person during his/her life time does not lead to more happiness;
- Quality of work conditions and availability of jobs: happiness is positively influenced by favourable perceived work conditions and also by the safety of the job. Nevertheless, it is less known the size of this factor's influence on happiness;
- Social capital understood as no interest related relations with family, friends, colleagues, members of the community: has a positive influence on happiness, which is considered important, without being knew how important;
- Health: the empiric evidence supports a positive relation between the good health status and the high level of happiness. A source of controversies is the reverted causality. Thus the higher level of happiness could result in a better health condition. Empiric studies confirmed that worsening health lead to decrease in the marginal utility of consumption, but also the fact that life expectancy has a small influence on happiness.

Beside these factors, happiness could be related with other aspects of the social-economic life such as the quality of the institutions, inflation,

income inequality, education, the quality of the natural (pollution, natural hazards) and social (terrorism, criminality) environment.

We consider important to mention also the results of the one of the few studies that used open questions to identify the sources of happiness [10]. According to this, respondents indicated as sources of happiness the followings: material status and level of living; family relations; individual and family health; quality of work place; personal patterns; general issues (wars, politic and civil liberties, social equality). Everyday life aspects, over that individuals could take action are more important drivers of happiness than the general issues, which are accepted as given.

Research regarding happiness reports within the indication of two major theories proposed by Psychology and by Economics. The psychology theory claims that each individual has a reference happiness status to that it returns regardless to the nature of disturbances by hedonic adaptation. The economic theory claims that money makes people happy. According to [7], none of these theories explain well enough the reality. In case of the economic theory, real world situation confirm the claim only for one moment in time. In this case people having more money are happier. In case that it is compared the level of happiness of a person in certain moments in his or her life it is concluded that the increase of incomes does not leads to increased happiness. The paradox is explained by the larger importance of the relative conditions than the objective ones. Thus, along with the increase of the incomes, the expectations of the individual are also growing, and happiness remains constant since the higher level of incomes does not bring more than it is expected. In this case it is confirmed the hedonic adaptation process.

Happiness, consumption of materials and economic growth

From the point of view of sustainable development, the answer to the question of what makes people happy should indicate goods and services that necessitate less material consumption, in such a way that people would be happy without being needed to undergo processes with negative ecological impact. It is important to clarify at what extent the more money is used for increasing the stock of goods. Thus, increased expectations are

acceptable if these refers to non-material values, in accordance with the pyramid of needs (fig.1).

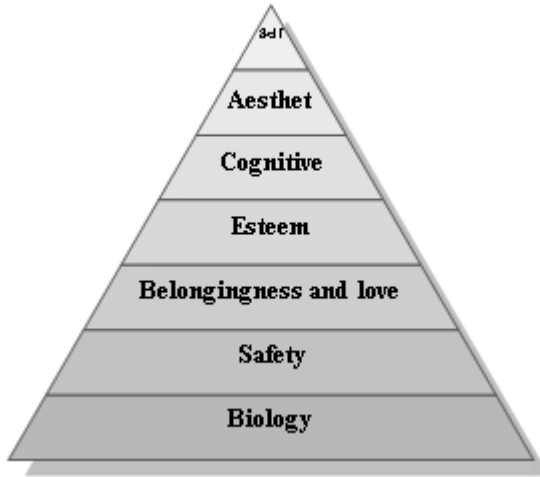
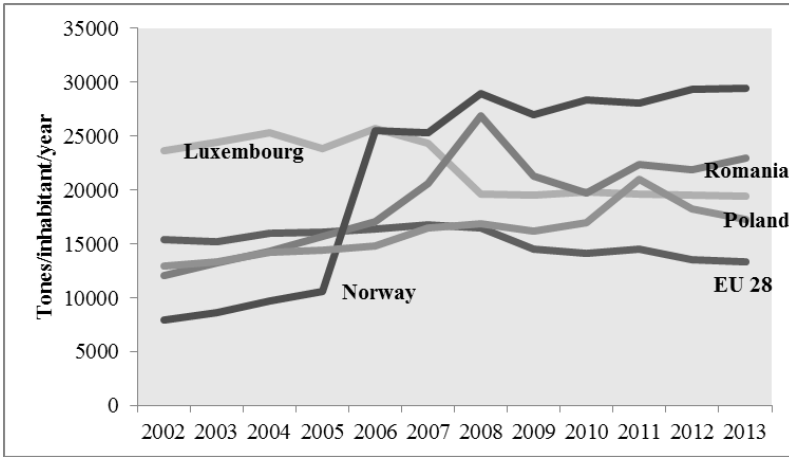


Figure 1: Maslow's pyramid of needs

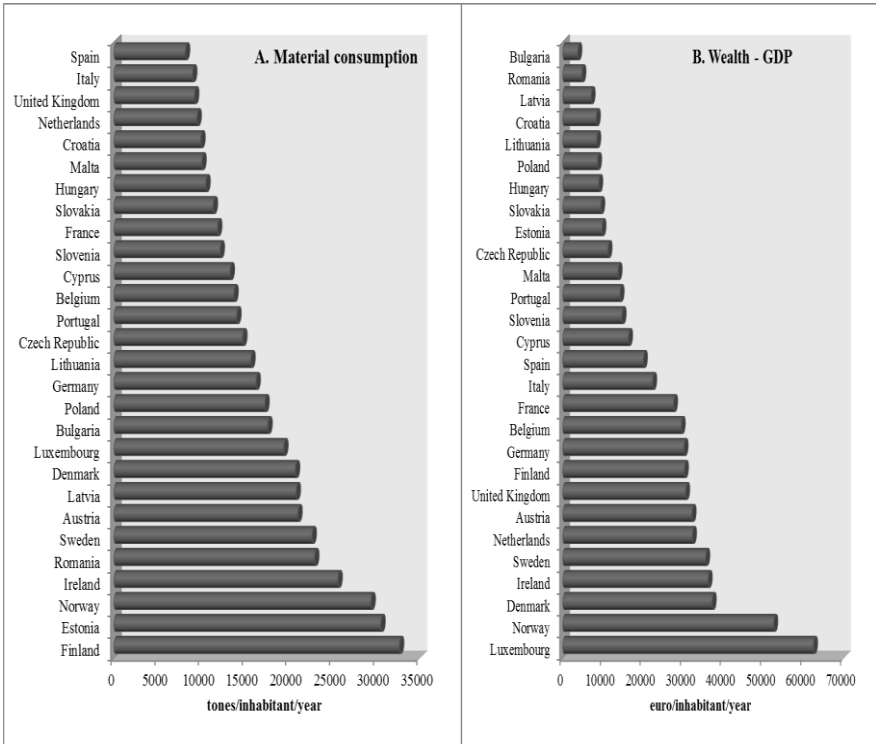
The dynamic of material consumption from the most developed countries tends to confirm the hierarchy of needs, although the influence of other factors is not fully understood. From the chart presented in fig.2 it could be noticed that at the level of EU28 the material consumption dropped in the period of 2002-2013. Nevertheless, countries like Norway record abrupt raises of consumption and the same is true for Romania. The relatively large differences among states, but also the contradictory trends make difficult to estimate a level of material wellbeing that indicate the passage toward non-material consumption.



Source: own representation using Eurostat data

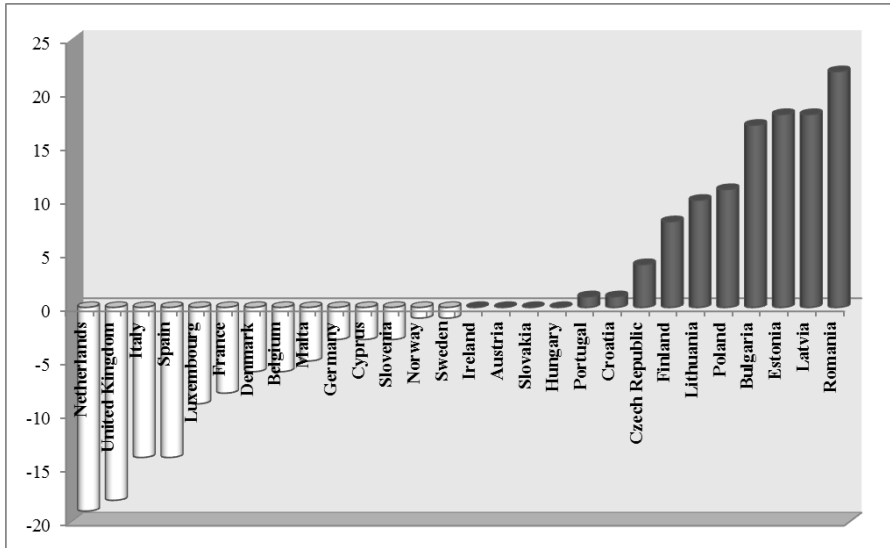
Figure 2: Material consumption in UE28 and selected countries

Within the European Union, according to data for 2013, the highest per capita material consumption is recorded in Finland and the lowest in Spain, although from the economic point of view the difference is not so large (fig.3).



Source: own representation using Eurostat data

Figure 3: Hierarchy of EU28 countries by per capita material consumption and wealth



Source: own representation using Eurostat data

Figure 4: Decoupling of wealth from material consumption

Comparing the two hierarchies by using the method of ranks, calculated the difference between the rank in the first hierarchy and the rank in the second hierarchy. The negative value indicates decoupling of economic growth from material consumption, while the positive value indicates that economic growth claims more and more materials. By comparing countries using these differences, it resulted that decoupling is noticeable in fourteen countries, being more obvious in Netherlands, United Kingdom, Italy, and Spain. The situation is inverted for 10 countries, the material intensity of economic growth being much higher in Romania, Latvia, and Estonia (fig.4).

Another important aspect to be clarified is the intensity of material consumption in developing countries. If these are to inscribe on curves similar to the currently developed countries it is questionable the possibility of reaching the highest levels of the pyramid of needs without exceeding the ecological support capacity along the way.

The rational solution could comprise a specific threshold level of the material consumption for each individual, established taking in account the ecological support capacity, but also the acceleration of transition toward using higher incomes for acquiring non-material goods.

Economic policies pursue to secure the continuity of economic growth, being underpinned by the positive relation between income and happiness. For the limitation and directing of consumption there are already enforced certain measures within the environmental policy. As long as the transformation of incomes in non-material value goods, we point on the value added gain by brand and reputation. Marketing techniques have a huge potential in creating values, regardless of their material support [11]. Therefore, we consider necessary to explore the possibility of using them in order to change the patterns of material consumption.

Globalization and economic growth

Globalization takes place at the scale and intensity of a phenomenon the power of its drivers being unprecedented. Profit maximizing is the engine that engages a number of economic drivers the action of that is facilitated by the potential of modern technologies of information and communication and of transportation.

The undergoing of the globalization process comprises different fields (economy, social relations, culture, science, management etc.) and different actors. These participate in the globalization process from unequal positions because their evolutions within nation states ment uneven access to resources, information, markets etc. Supporters of globalization claim that these differences will be levelled out by a more complete integration in global processes, while opponents warn about the threats stemming in the asymmetric commercial negotiations [12].

The instruments of globalization that influence its dynamic, direction, and evolution are numerous, the most important being:

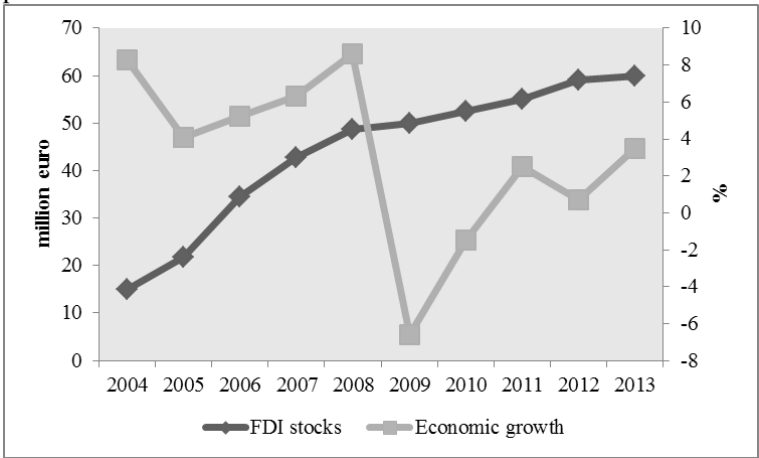
- Enclosing of bi and multilateral agreements between countries and business partners;
- Protectionism enforced by taxes, subsidies, quotas, standards etc.;
- Migration of labour;
- International financial institutions and other world organizations.

Globalization is the economic model that delivers efficiency maximization since it creates the most favourable framework of free interaction on market. Consequently, it is claimed that a country that is well integrated in the global economy could harness its opportunities and this

will result in economic growth. The rhythm of this growth should be high enough to allow the reduction of development disparities.

An empiric research made by using the generalized method of moments concludes that economic globalization has a statistically significant impact on economic growth. The positive impact is larger in case of countries that have a well-trained labour and a better developed financial system. As long as the influence of development level on the impact of globalization is regarded, it was observed that medium and high developed countries record a positive impact, while poor countries harness no benefits [13].

Investigating the relation among openness, globalization and economic growth by using a model with three autoregressive variables, [14] found that on long run economic growth is affected by both globalization and openness.



Source: own representation using BNR data

Figure 5: FDI stocks and economic growth in Romania

By using data on foreign direct investment (FDI) stocks and gross domestic product (GDP) annual variation we represented the evolution in the last decade. From the chart presented in fig. 5 it could be noticed that the globalization – economic growth relation is not straight-forward in Romania. Thus, despite intense economic turmoil that caused a big contraction under the impact of global financial crisis the FDI stock

continued to grow. This indicates that globalization might be unable to change the influence of other factors on a national economy.

Conclusions

Economic activity is one of the most important human interactions in the contemporary world. Regardless of the need that could be food or the need for beauty its satisfaction supposes a selling-purchasing action. Therefore it is not surprising to find economic activity as the main cause of economic degradation.

Sustainable development is the most widely accepted social-economic model that should deliver the continuous economic growth without destroying the natural environment. This requirement is contradicted by studies that consider impossible to save the natural environment without levelling out economic growth.

There were explored on the one hand the relations that allow transforming the economic growth in social progress, and on the other hand the factors that could have a major influence on the economic growth. It resulted that although wealth it is positively correlated with happiness, the dynamics of these processes does not have the same pattern. This observation might be used to question the need of a continuous economic growth. Nevertheless, the exigencies of sustainability could be met if the increase of standards that makes happiness steady during the life time of the individuals is directed toward non-material values. Thus, supplementary income should be spent on satisfying higher needs, which are less dependent on material consumption. Latest data on the relation between material consumption and economic growth in developed countries are not conclusive in this respect. Further the impact of globalization on the economic growth is also complicate. Thus, empirical evidence shows that poor countries are unable to harness the benefits of globalization for improving their economic growth.

We might conclude that it is necessary to create enabling conditions in poor countries to foster their economic growth within a globalized world, but this will not prevent a dangerous up scaling of environmental degradation. In order to prevent it, economic globalization should be accompanied by the globalization of sustainable consumption patterns.

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