Economic Growth, Inequality & Human Wellbeing

Carmen Lawrence
“Something is profoundly wrong with the way we live today.”
Tony Judt, *Ill Fares the Land*, 2010

“Anyone who believes exponential growth can go on forever is either a madman or an economist”.
Kenneth Boulding, Economist
But recent research by Gerland et al., 2014 estimates that there is a 70% chance that the number of people on the planet will rise from 7bn today to 11bn by the end of the century.
Happiness and consumption

“The human animal is a beast that dies and if he’s got money he buys and buys and buys and I think the reason he buys everything he can buy is that in the back of his mind he has the crazy hope that one of his purchases will be life everlasting!—Which it never can be...”

Tennessee Williams (Big Daddy in “Cat on a Hot Tin Roof”)
Human wellbeing and the environment

- Environmental degradation affects human health and wellbeing
- Extreme heat: increased psychiatric admissions
- Persistent noise: Increased anxiety, poorer health
- High levels pollution: lower subjective wellbeing
- Destruction of natural environment: higher rates of depression
- Contact with natural environment: faster recovery from surgery; reduced behaviour problems in children; better cognitive performance; higher productivity.
Sodom & Gomorrah, Accra Ghana

Dump for recycling electronic waste
Figure 1: Life satisfaction compared to levels of material consumption in Europe. 

Life Satisfaction

Ecological Footprint
Figure 6: Scatter plot of happy life years vs. GDP per capita, by country
CO₂ emissions per unit GDP from EPI 2006 as a function of average happiness in nations 1990–2000.

From Zidansek, 2008. Note: Linear fit demonstrates that happier nations are also more energy efficient and require less CO₂ per unit GDP. Values of former Soviet Union countries are shown in full squares.
Figure 1. **Income inequality increased in most, but not all OECD countries**

Gini coefficients of income inequality, mid-1980s and late 2000s

- **Increasing inequality**
- **Little change in inequality**
- **Decreasing inequality**

Note: For data years see Table 1. “Little change” in inequality refers to changes of less than 2 percentage points.
1. Information on data for Israel: http://dx.doi.org/10.1787/888932315602.

Source: OECD Database on Household Income Distribution and Poverty.
Inequality and Liberalism in USA 1917-2006
Income share of top 10% - Source: Saez, Piketty, Atkinson 2009

Neoliberalism is Closely Linked to Inequality

Top 10% Income Share

- Excluding capital gains
- Including capital gains

Change in average Life expectancy in the U.S. 1987 – 2007: **Red** is less than zero change
Fig. 2. Scatter plot (with best-fitting regression line) showing mean American happiness scores as a function of income inequality, as indexed by the Gini coefficient, from 1972 to 2008.
OECD 2013: The richest 10% of Australians gained almost 50% of the growth in income over the last 3 decades; 22% to the richest 1%.
Actual, Estimated and Ideal Wealth Distribution by Quintile: Australia
Australian Trend data on income
Figure 2: CEO pay series and AWE, indexes, Australia, 1971-2008

Health and Social Problems are Worse in More Unequal Countries

Index of:
- Life expectancy
- Math & Literacy
- Infant mortality
- Homicides
- Imprisonment
- Teenage births
- Trust
- Obesity
- Mental illness – incl. drug & alcohol addiction
- Social mobility

Child Well-being is Better in More Equal Rich Countries

How does inequality affect health?

Three major hypotheses:

1. **Social capital hypothesis**: affects levels of social support, access to resources, political participation, affective support, self-esteem, and mutual respect;

2. **Status anxiety hypothesis**: damage via psycho-social processes based on perceptions of place in status hierarchy; produces negative emotions such as shame, distrust - leads to physiological effects e.g. stress in early life (pre- and post-natally);

3. **Neo-materialist hypothesis**: systematic under investment in social infrastructure and services;

4. **All of the above.**
Austerity and Health

*The Body Economic: Stuckler & Basu, 2013*

Describes public policy “experiment” comparing austerity and stimulus approaches:

Austerity – cuts government spending on healthcare coverage, assistance to the unemployed and housing support (e.g. Greece, U.K.)

Stimulus – invests in health and social safety net programs (Sweden, Iceland, Denmark).
Mass Privatization and Adult Mortality Rates in Belarus and Russia

Stuckler et al. (2010)

Page A et al. J Epidemiol Community Health 2002;56:766-772
Change in standardised death rate from suicide and self-inflicted injuries per 100000 in selected Eastern European countries by change in Gini coefficient, 1989–1997.
Association between state level, per capita total expenditures on public services by state and local governments and working age (25–64) male mortality.

Dunn J R et al. J Epidemiol Community Health 2005;59:768-774
Relation between **social welfare spending and all cause mortality** in 18 EU countries, 2000
(a) Established Democracies

(b) Former Communist

- Low Gini (20th perc.)
- High Gini (80th perc.)
Self-enhancement and economic inequality
Loughnan et al., 2011.
Social mobility is higher in more equal countries


Note: This figure has been redrawn from one appearing on the Equality Trust website which was first drawn by Kate Pickett and Richard Wilkinson in 2009 and which has now been redrawn using the most recent data, showing an even closer relationship between the two variables than seen before.\(^4\)
Income inequality and civic participation

Social gradients in PISA reading literacy by country, 2009

Source: Reproduced from COAG Reform Council 2011 (Figure 3.4, p. 35), using OECD, PISA 2009 data.
Impact of disadvantage on performance – socioeconomic status

Source: ACARA 2010 NAPLAN data
Note: There is a high variability in response rates to questions on parental education and occupation on enrolment forms
Australia: Percentage of Schools by Student SES

- Schools with advantaged SES: 29%
- Schools with disadvantaged SES: 33%
- Schools with average or mixture of SES: 38%

Student mix in disadvantaged schools:
- Students in the top quartile SES: 11%
- Students in the middle two SES quartiles: 32%
- Students in the bottom, quartile SES: 58%