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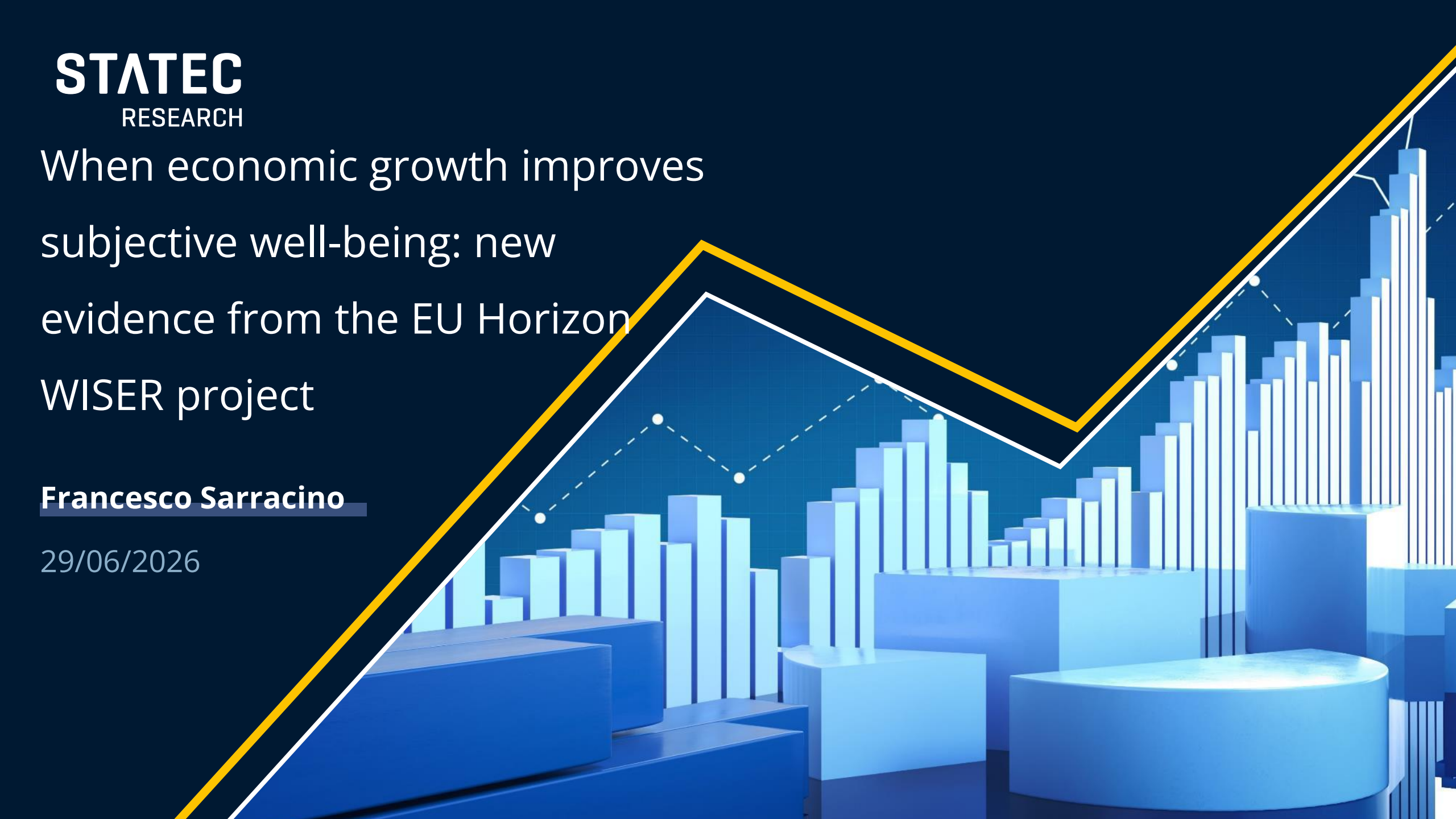
RESEARCH

When economic growth improves subjective well-being: new evidence from the EU Horizon WISER project

Francesco Sarracino

29/06/2026

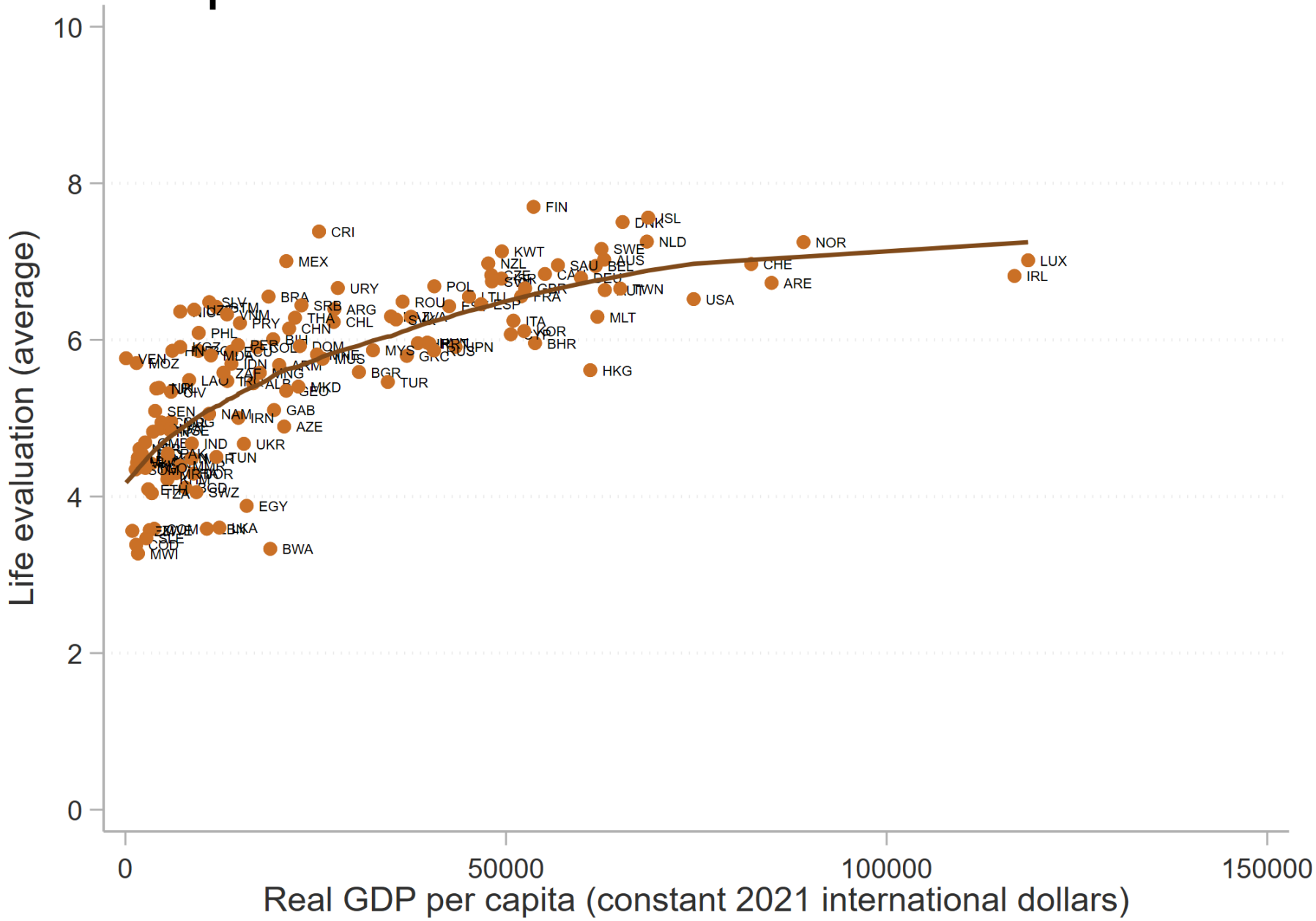


Three main points:

1. **Economic growth is not always good. Economic activity can erode the foundations of well-being.**
2. **It is possible to lead satisfactory lives in socially and environmentally sustainable economies.**
3. **Prioritizing well-being in policy making is the starting point.**

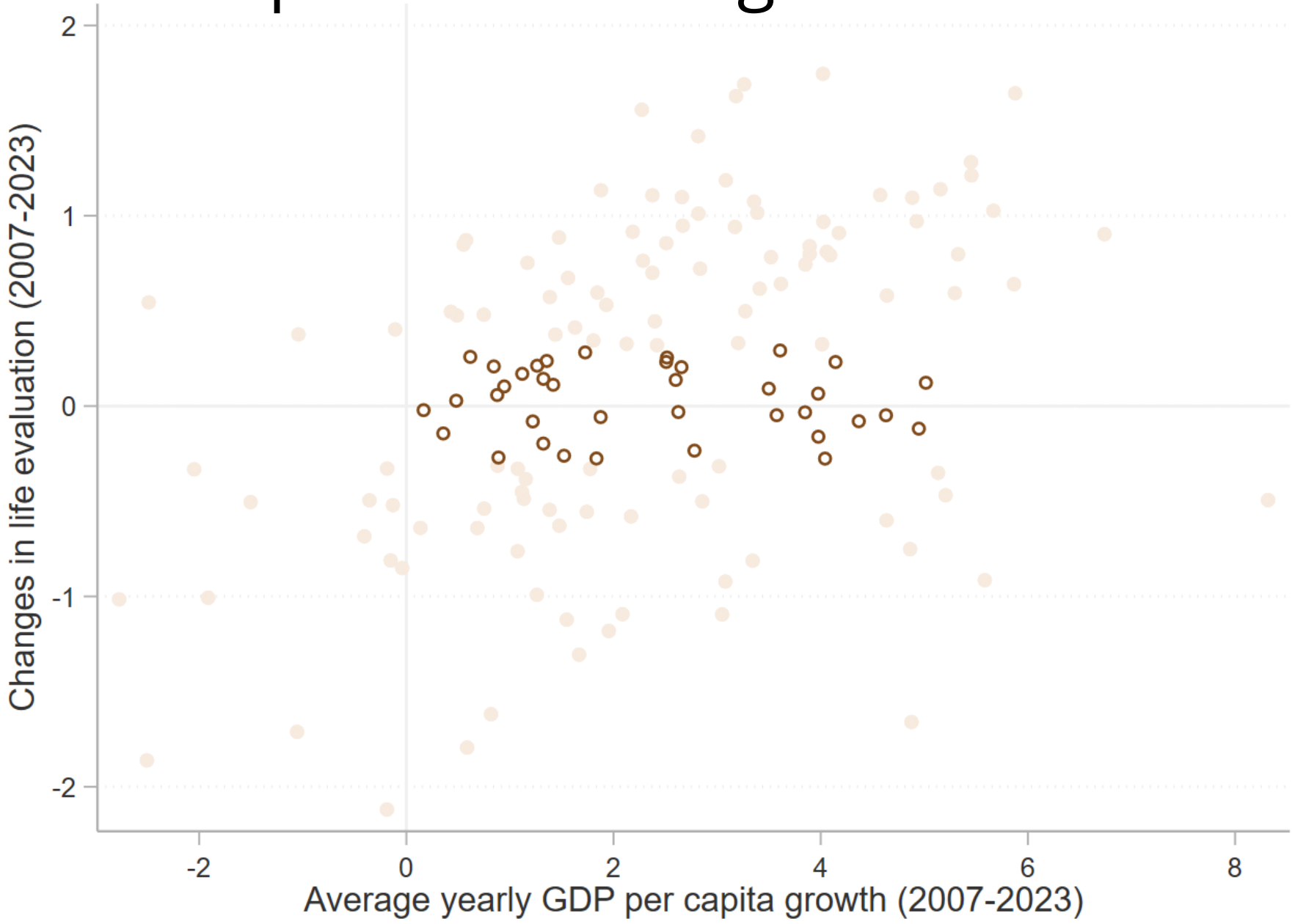
Economic growth is not always good for well-being.

The Easterlin paradox: cross-section.



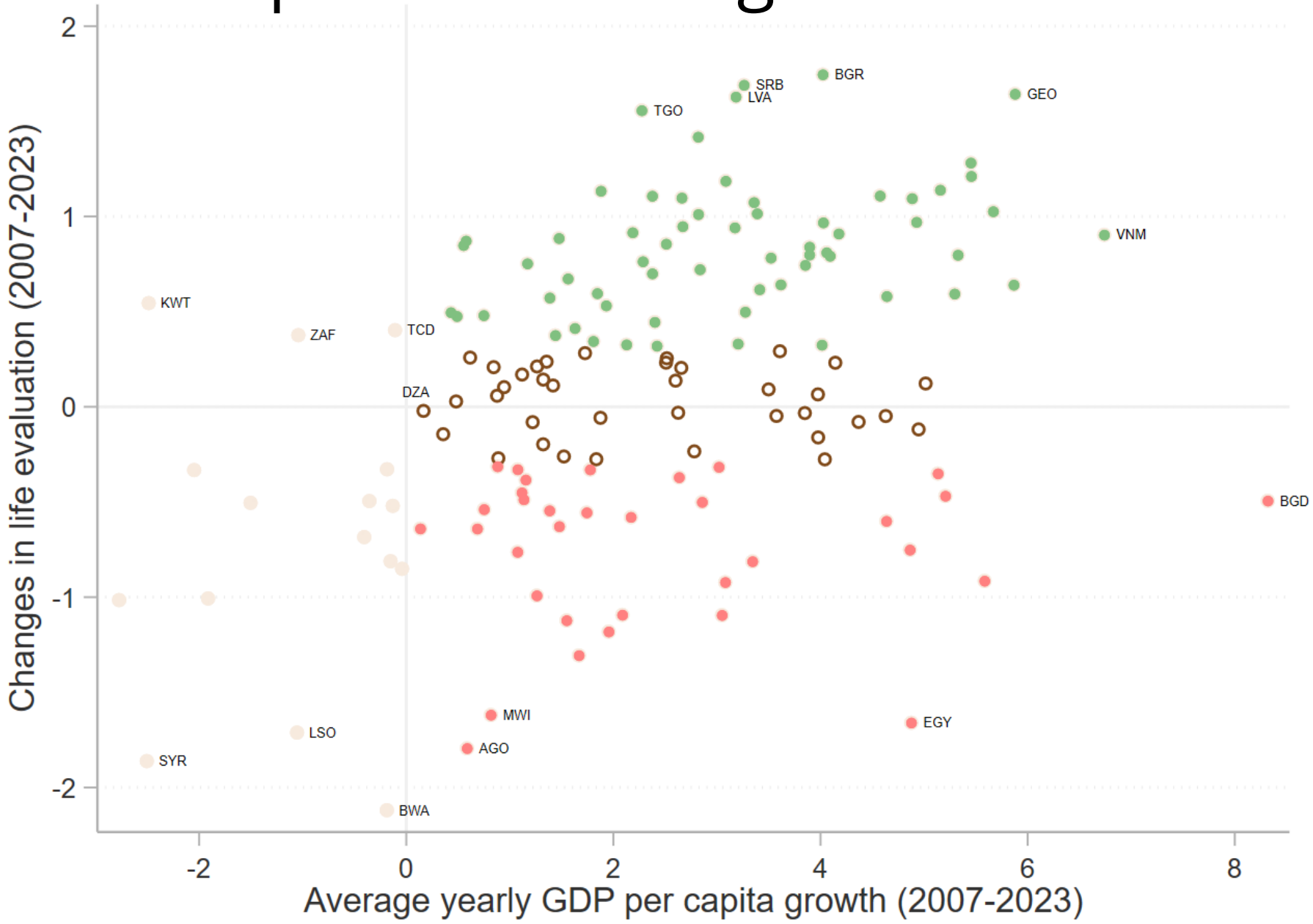
Source: own elaboration of 2023 Gallup World Poll data and Penn World Tables 11.0

The Easterlin paradox: changes over time.



Source: own elaboration of 2007-2023 Gallup World Poll data and Penn World Tables 11.0.

The Easterlin paradox: changes over time.



Source: own elaboration of 2007-2023 Gallup World Poll data and Penn World Tables 11.0.

Economic activity can erode the foundations of well-being.

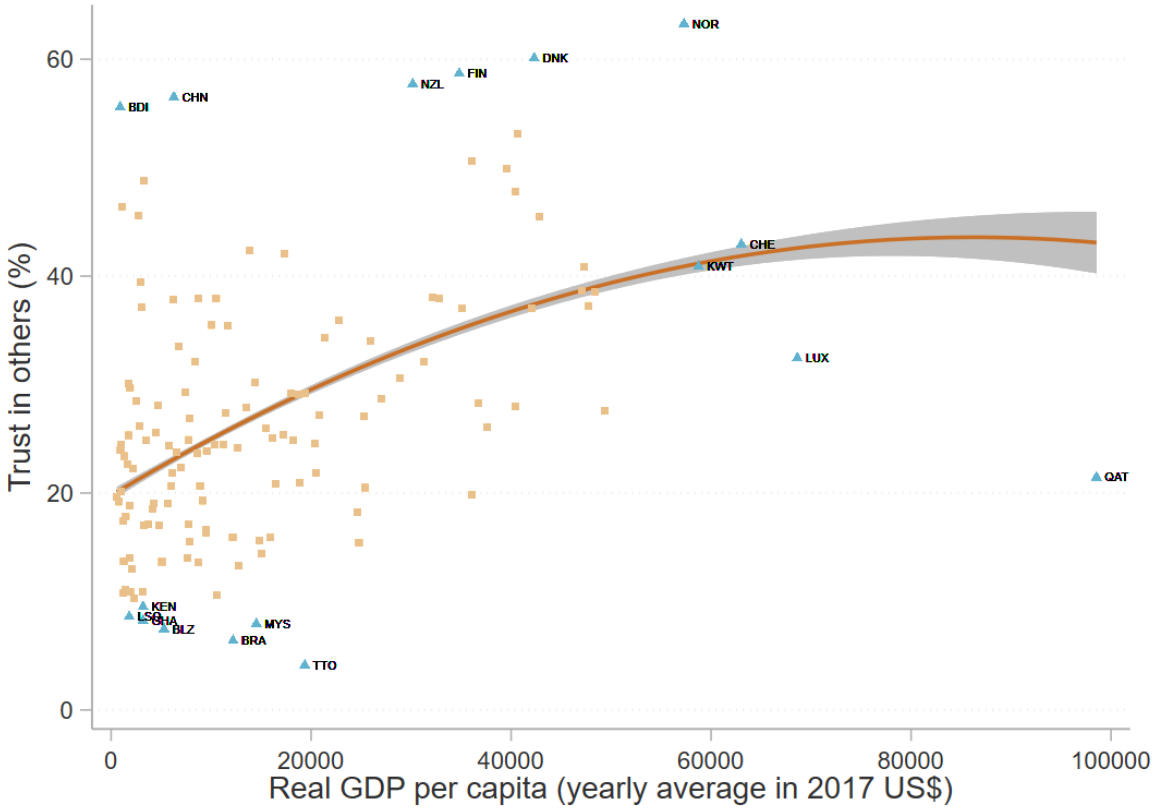
The quality of economic growth

Jobless	• Harming employment
Ruthless	• Unequally divided
Voiceless	• Harming democracy
Rootless	• Harming the social fabric
Futureless	• Harming the environment

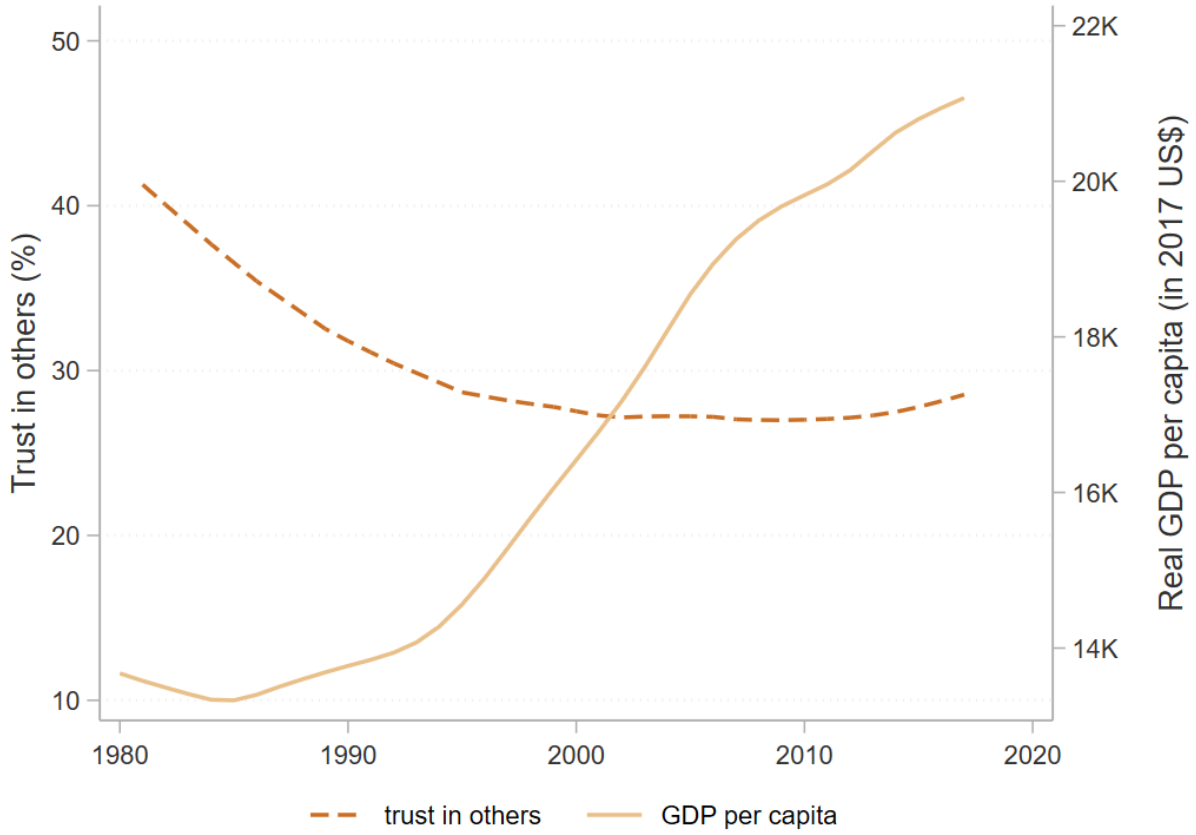
Source: Ravallion, 1997

The trust paradox

From cross-section...

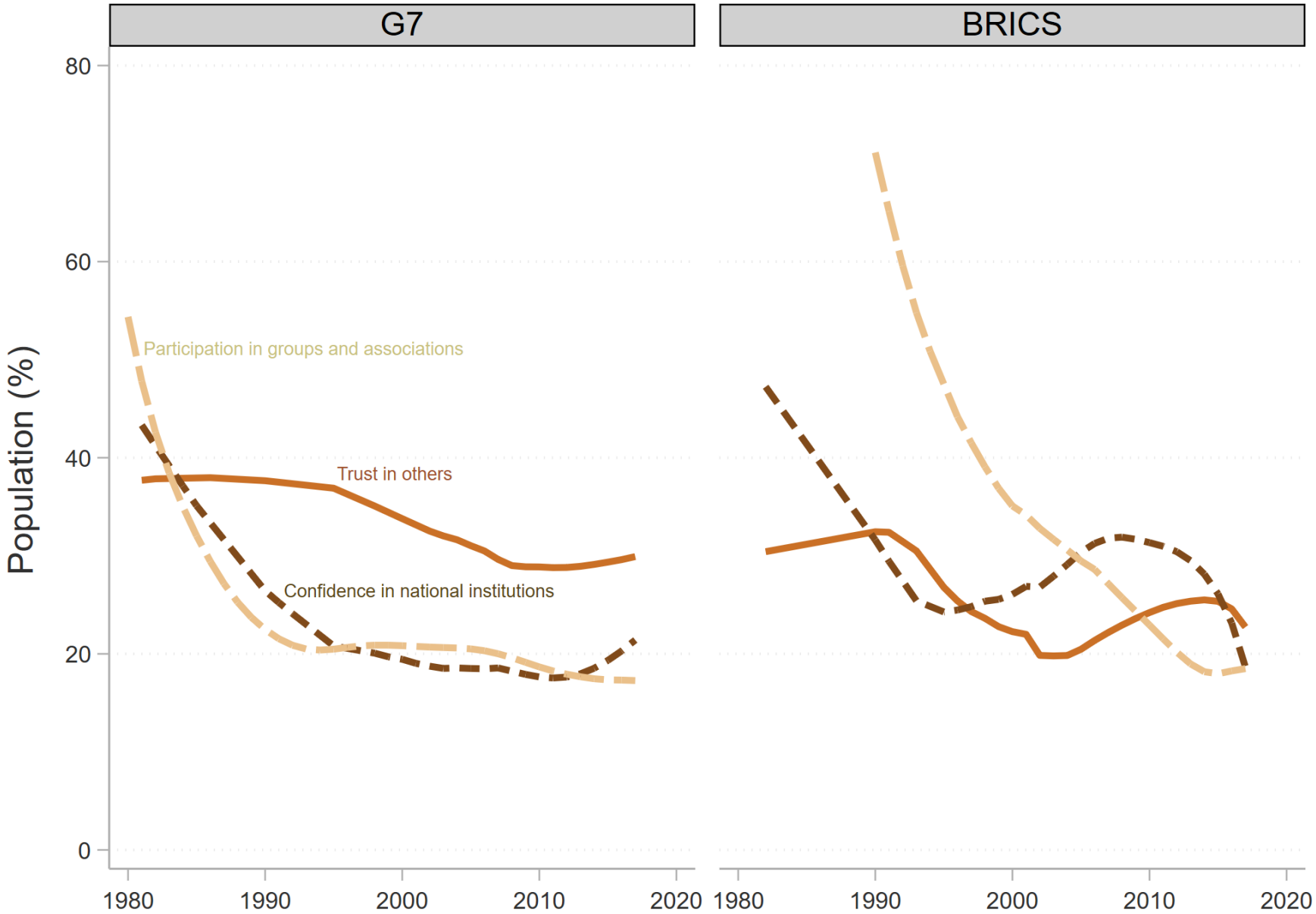


...to time-series



Source: Sarracino & Slater, 2025; Penn World Tables 10.01 and SDR 2.0 data.

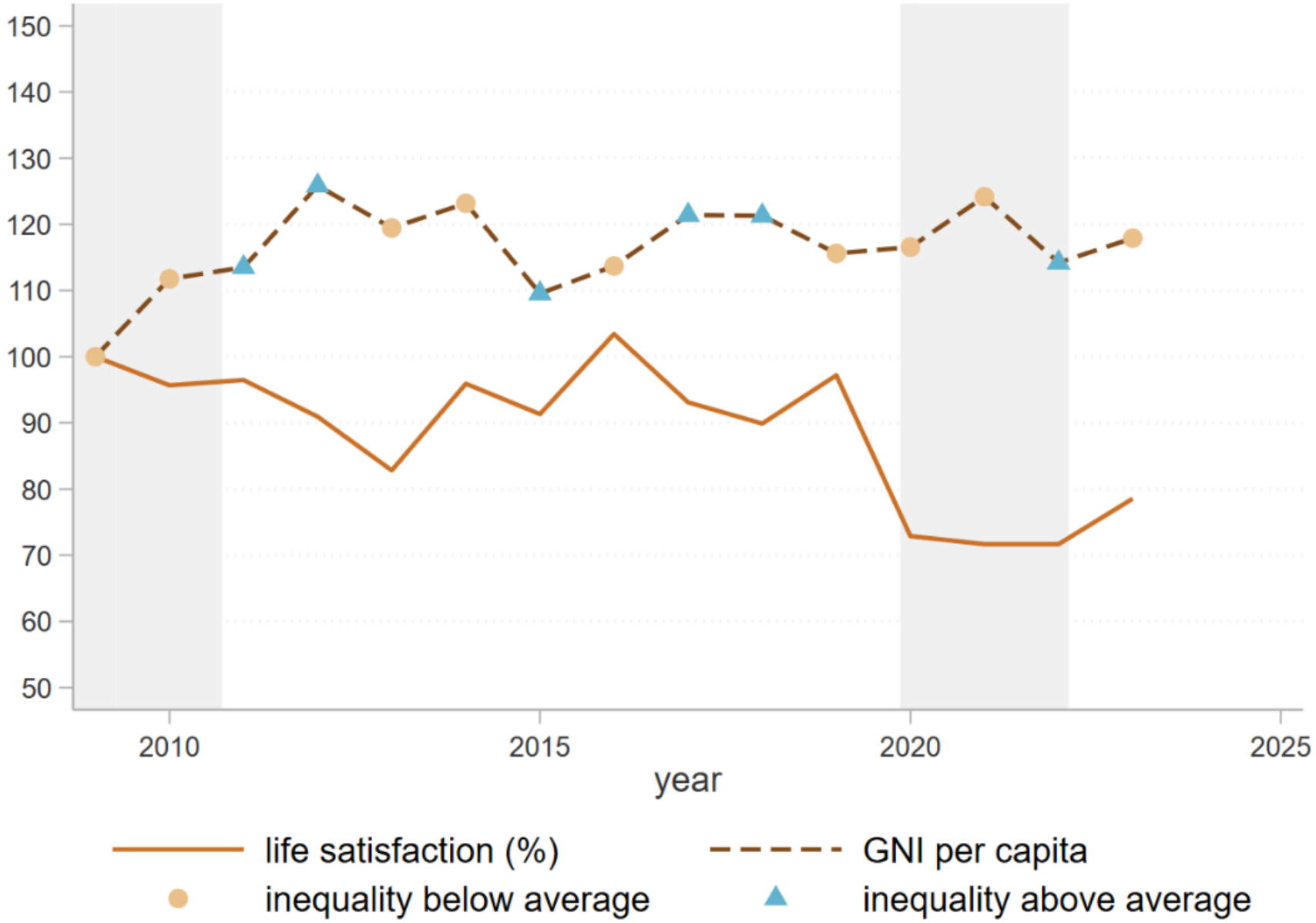
The decline of social capital in the Global North and South



Source: Sarracino & Slater, 2026; SDR 2.0 data.

To estimates

Economic growth, inequality and well-being in Luxembourg



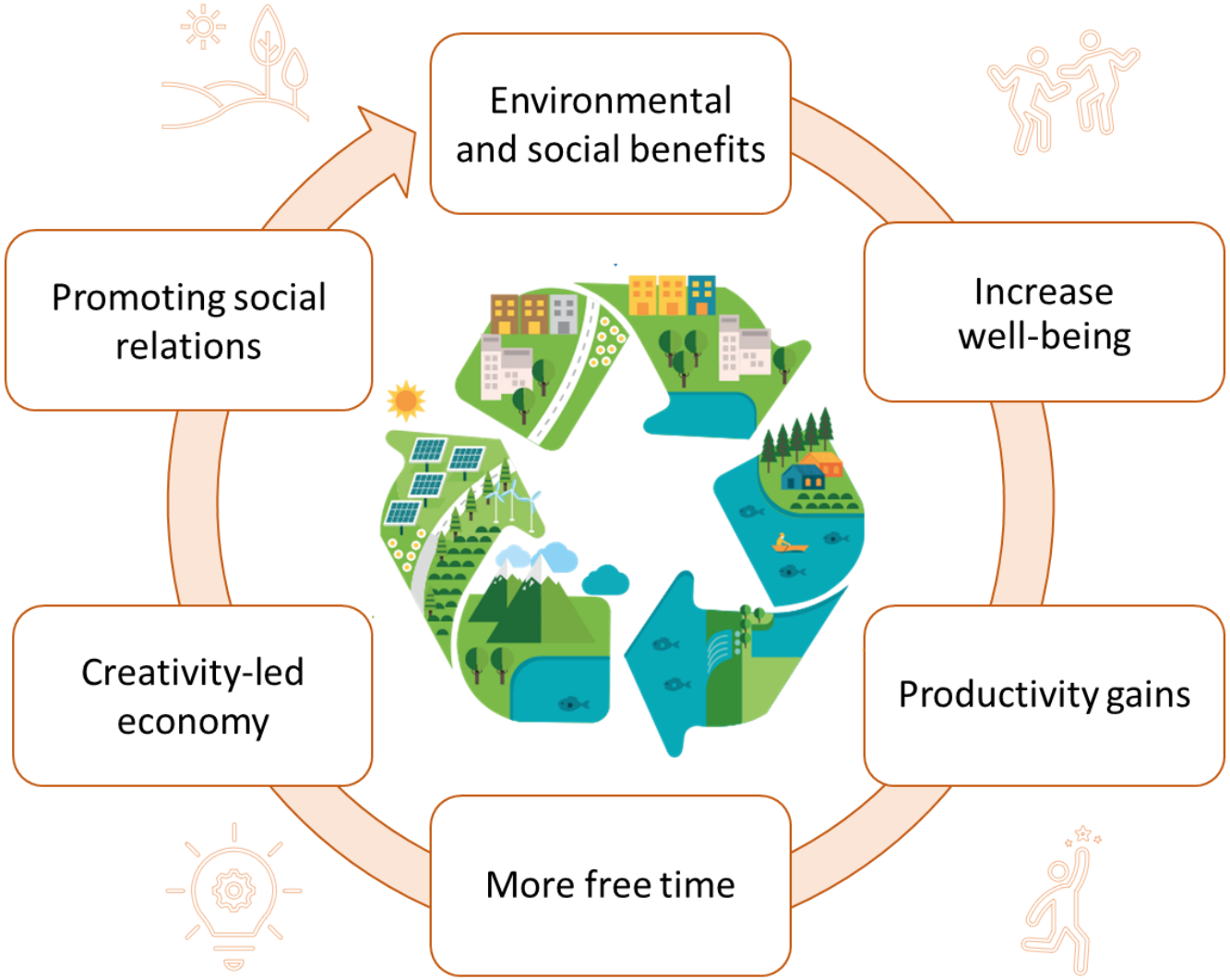
Source: own elaboration on Gallup World Poll and Penn World Tables 11.0 data.

Which other factors?

Authors	Analysis	Technique	Data	Main results
Easterlin, 2013	Country level	Descriptive	Various	Full employment and generous and comprehensive social safety net increase happiness.
Oishi and Kesebir, 2015	Individual level	Multilevel OLS	World Database of Happiness & Latinobarometro	When economic growth is moreevenly distributed across the population, the Easterlinparadox rarely emerges.
Mikucka et al., 2017	Individual level	Multilevel OLS	WVS-EVS	Economic growth benefits life satisfaction in countries that protect trust and reduce income inequality.
Sarracino & O'Connor, 2021	Country level	Error Correction Model	EB, World Bank, SWIID, WVS-EVS	Growing trust and social expenditures benefit LS above and beyond GNI.
Sarracino et al., 2022	Individual level	OLS + Oaxaca decomposition	WVS, 1990-2010	Social safety net provides one of the conditions to improve life satisfaction.
Oparina et al., 2024	Individual & country level	OLS + FE	GWP, 2009-19	Health and social support explain the positive association between income growth and SWB in rich countries.

It is possible to lead satisfactory lives in socially and environmentally sustainable economies

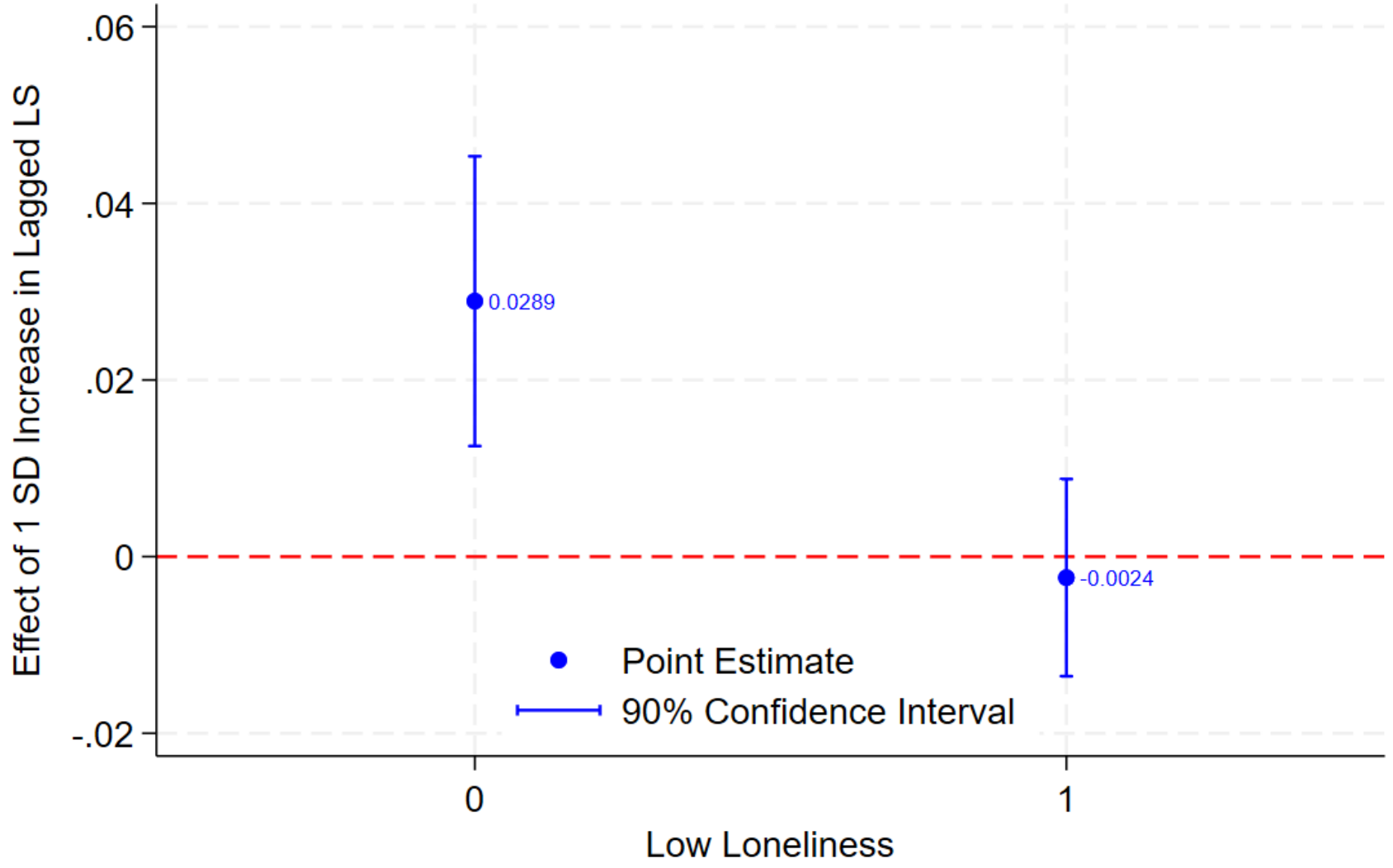
Neo-humanism: sustainability through well-being



Specific contributions:

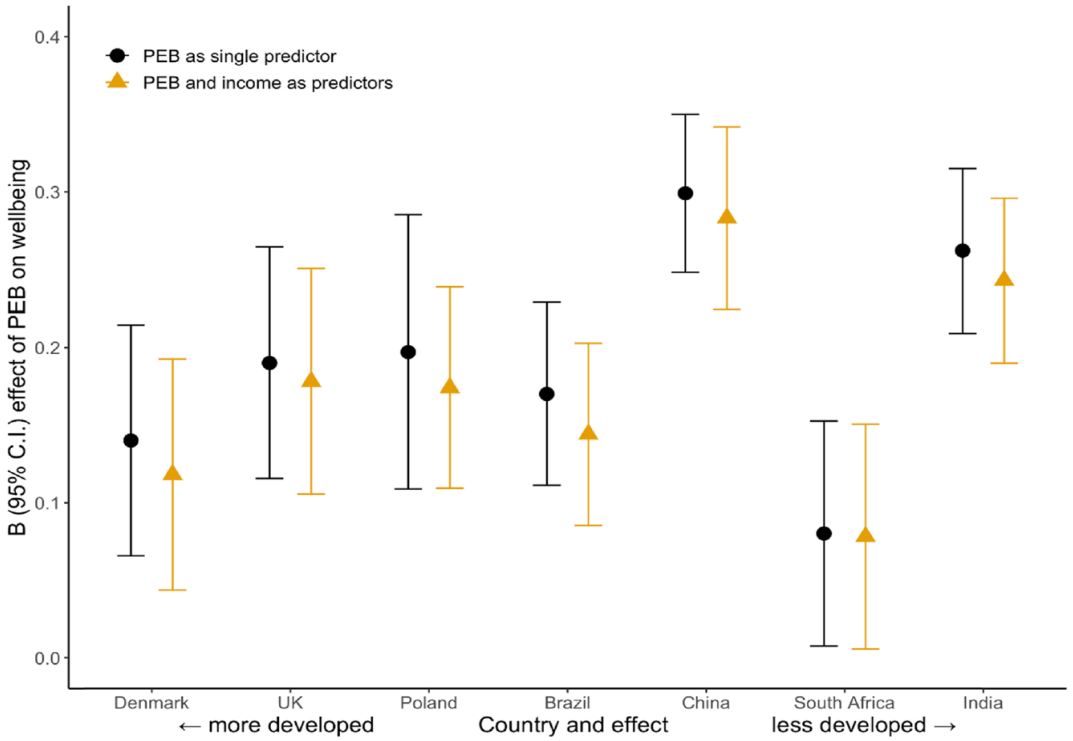
- Relationship between consumption and well-being;
- Link between productivity and well-being;
- First estimates of defensive consumption;
- Introducing well-being productivity.

Well-being, relations and conspicuous consumption

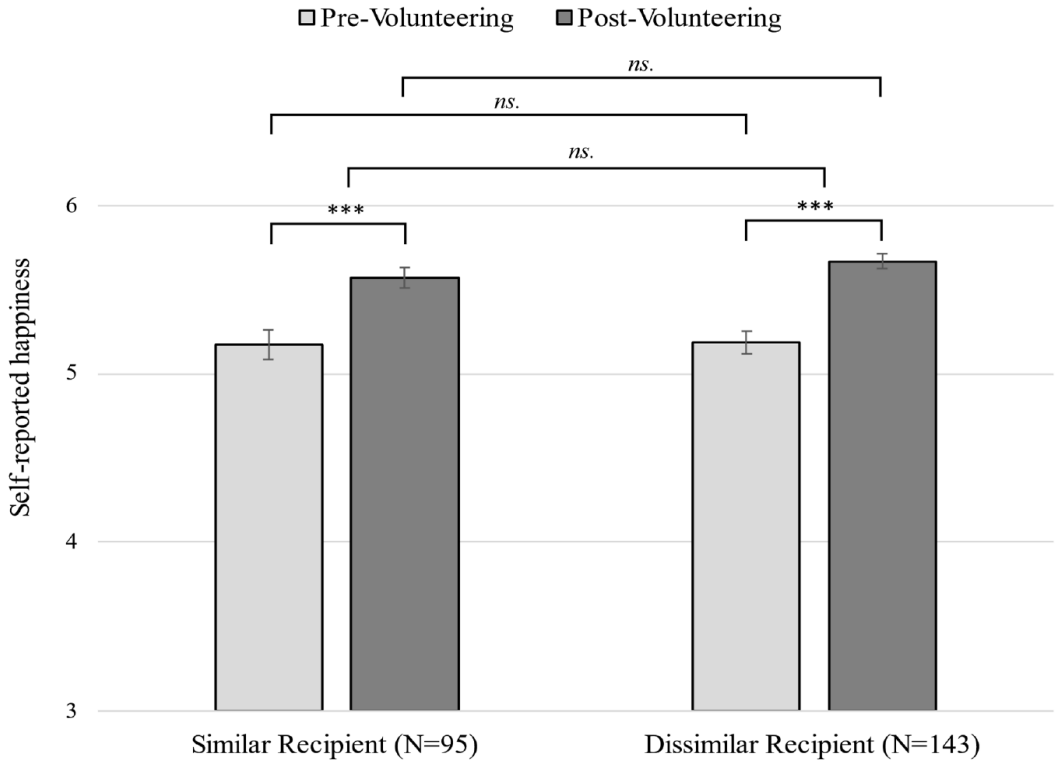


Source: Wu & Sarracino, 2025 using HILDA. Fixed effects OLS.

Green, relational and happy societies



Source: Capstick et al. 2022



Source: Proulx et al., 2023.

Happier and more productive

Authors	Measure	Effect	Method	Period	Level
Bockerman & Ilmakunnas, 2012	JS (1-6)	6%	OLS + IV	1996-2001	Finnish plants
Peroni et al., 2022	JS (1-4)	5%	OLS (lags)	2010-2018	EU industries
Bryson et al., 2017	JS Index	positive	OLS (panel)	2004-2011	UK establishment
Oswald et al., 2015	SWB	10-12%	Experiment		Individual
Bellet et al., 2023	SWB	12%	Causal case study	2017/18	Individual
DiMaria et al., 2019	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.

Decoupling well-being from economic growth

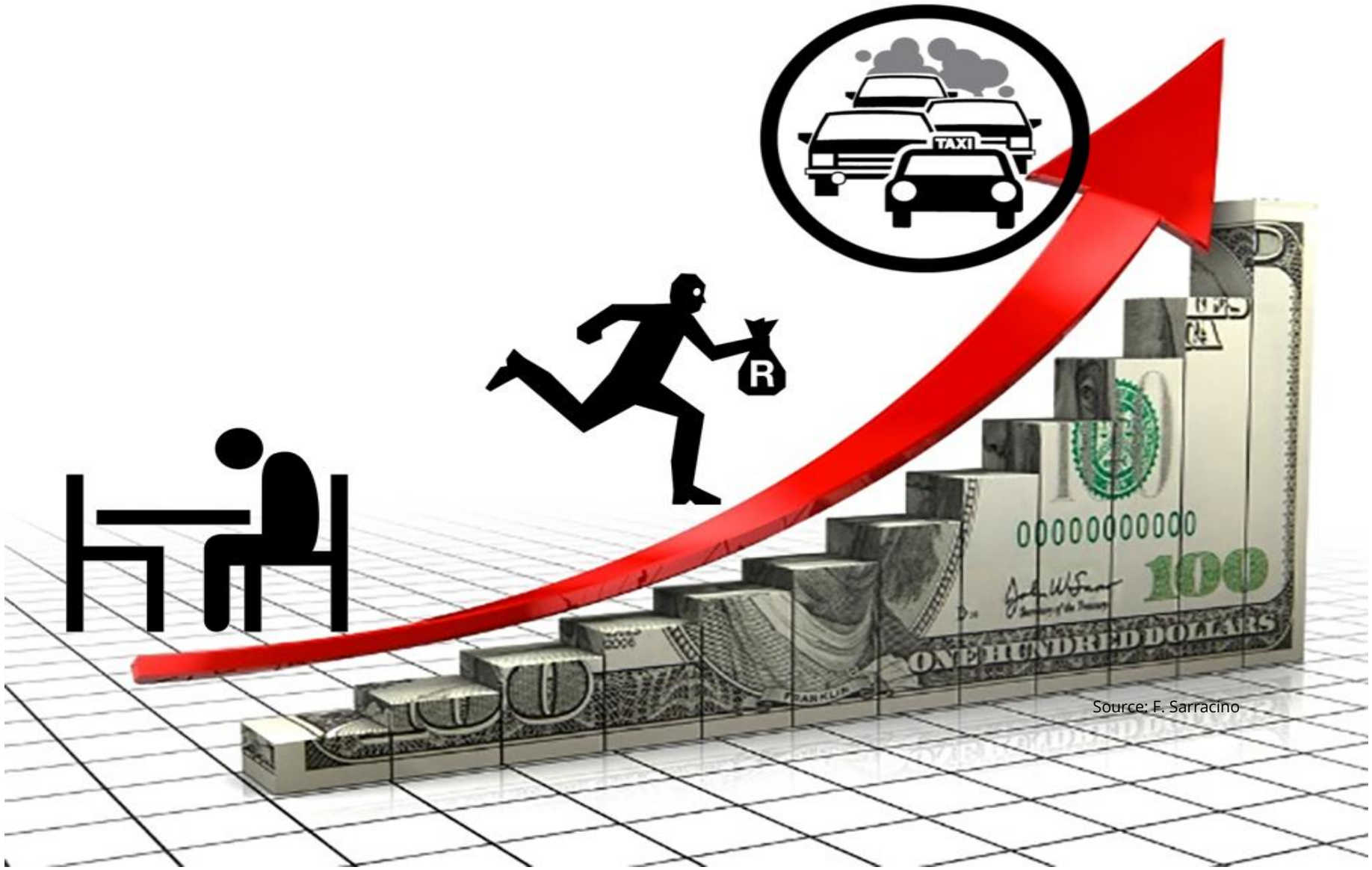
Productivity gains can be used to finance policies for well-being;

- green spaces, urban organization, working time, universal basic income/services, etc.

All while maintaining economic output unchanged

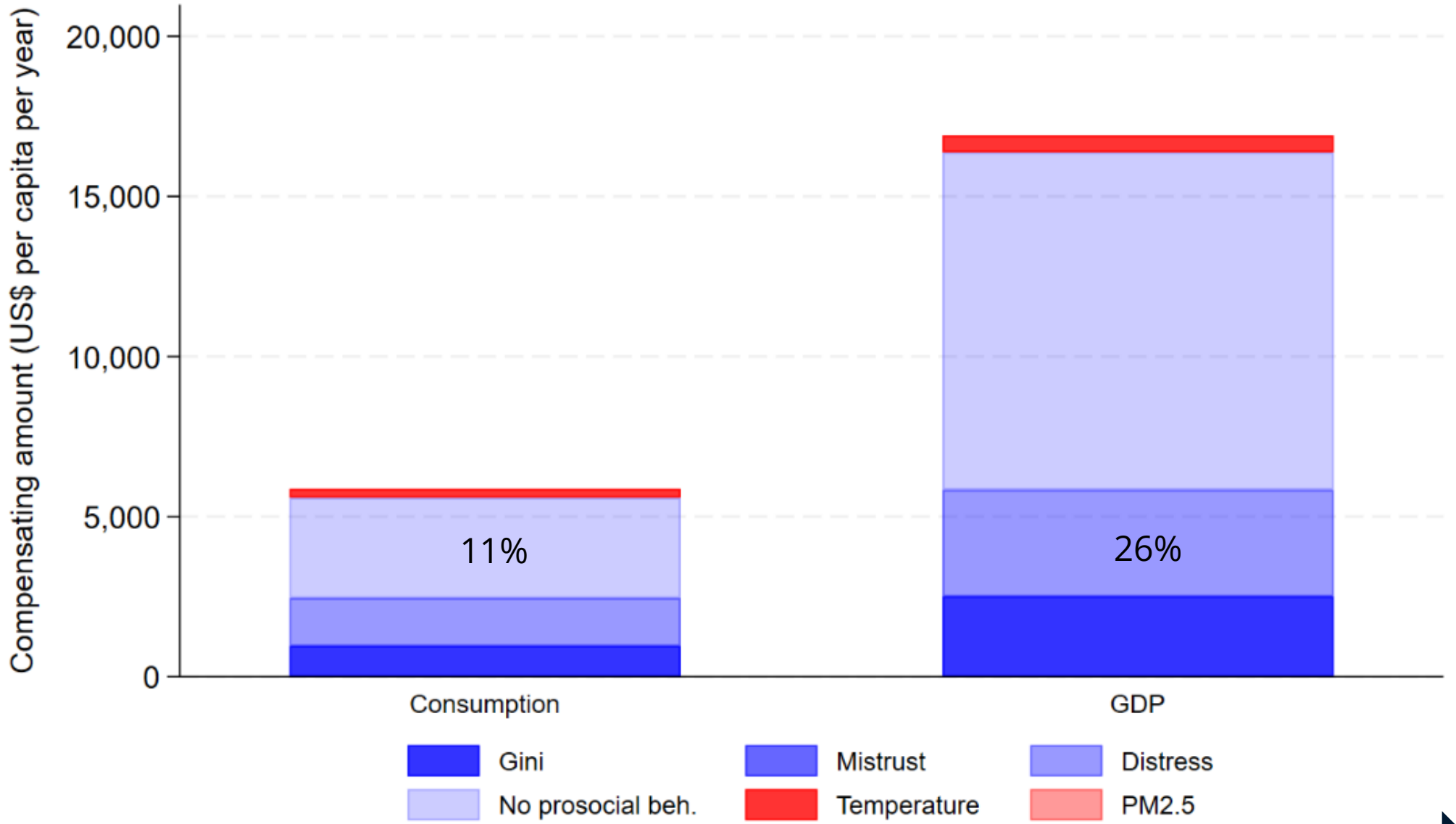
- without sacrificing well-being.

Slower growth but better for QOL



Source: F. Sarracino

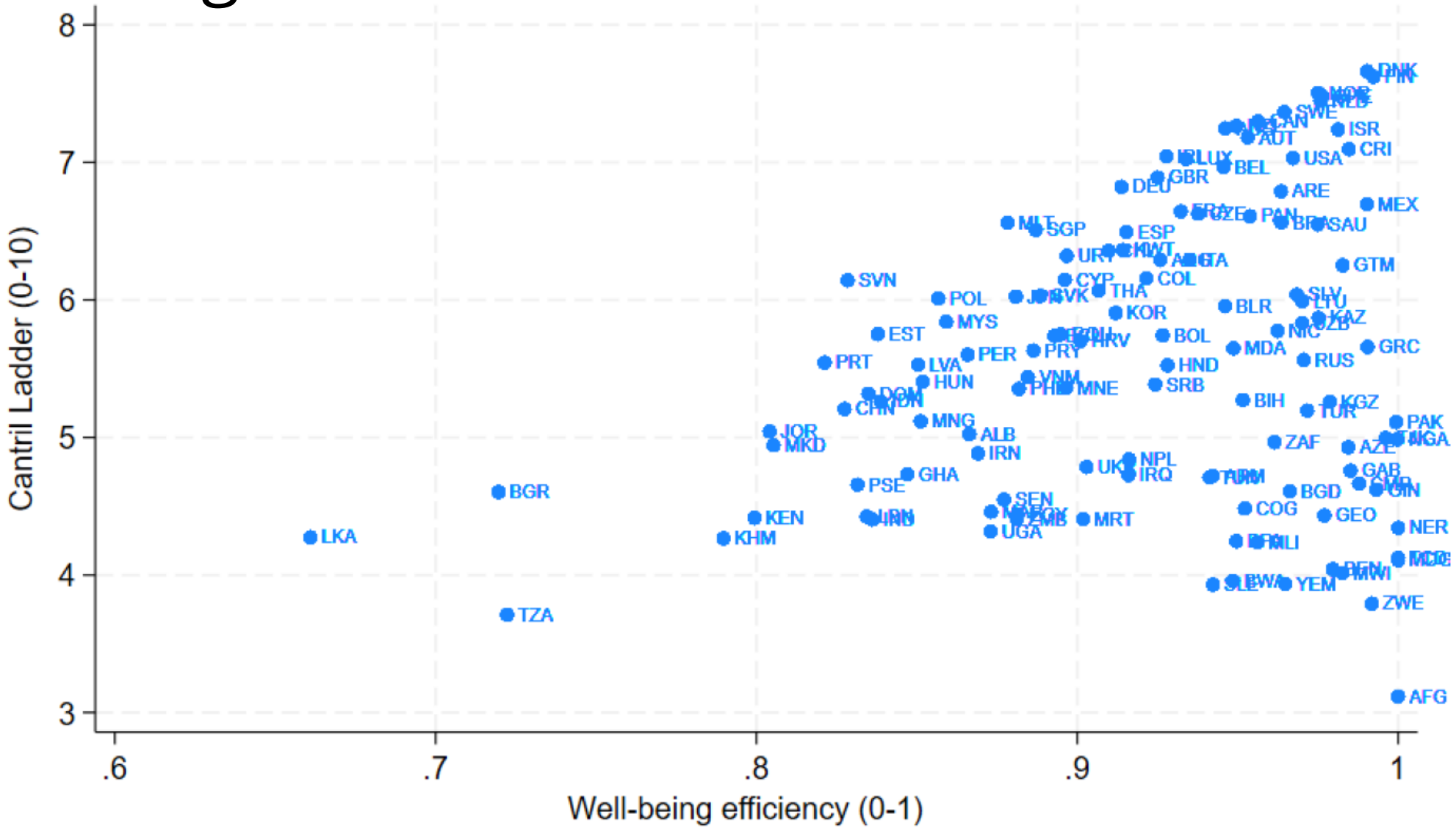
Yearly compensatory amounts for the US



Source: Slater & Sarracino, 2026.

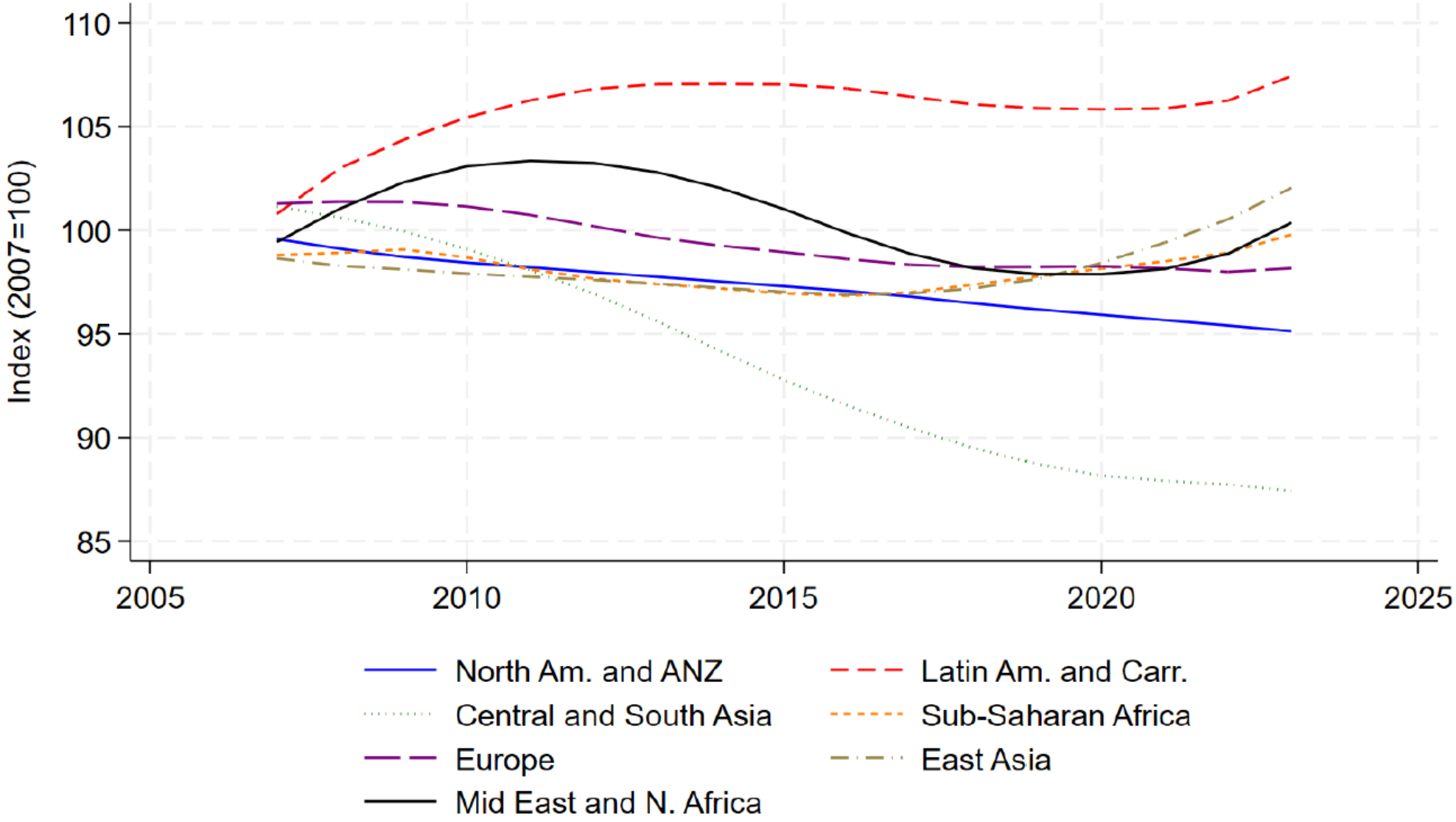
To method

How efficiently do countries transform their resources in well-being?



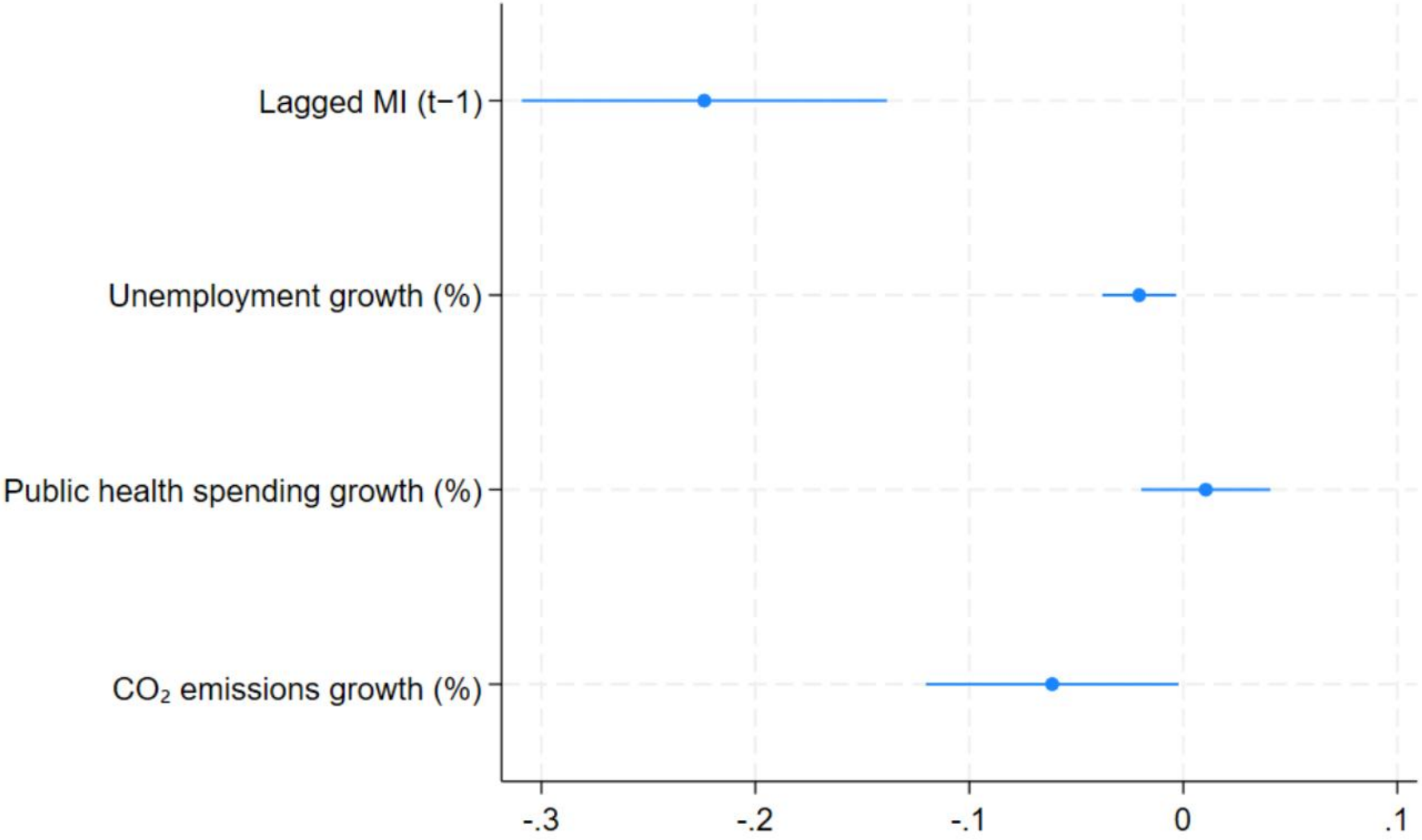
Source: Rigas et al., 2026 using World Happiness Report data

Well-being productivity across world regions



Source: Rigas, O'Connor & Sarracino, 2026.

What explains well-being productivity?



Source: Rigas, O'Connor & Sarracino, 2026. OLS with LASSO; N= 121, R^2 = 0.072.

Prioritizing well-being in decision-making is the starting point

Policies that directly and positively affect well-being

Reduce inequalities — **Weaken social comparisons and protect social capital.**

- Progressive taxation;
- Minimum wages;
- Universal basic services.

Invest in social relations — **Increase well-being, resilience and ability to cooperate.**

- Invest in safe and walkable public spaces;
- Promote public transport;
- Social prescribing;
- Support local communities, civic associations and participatory institutions;
- Volunteering programs for elderly and young people.

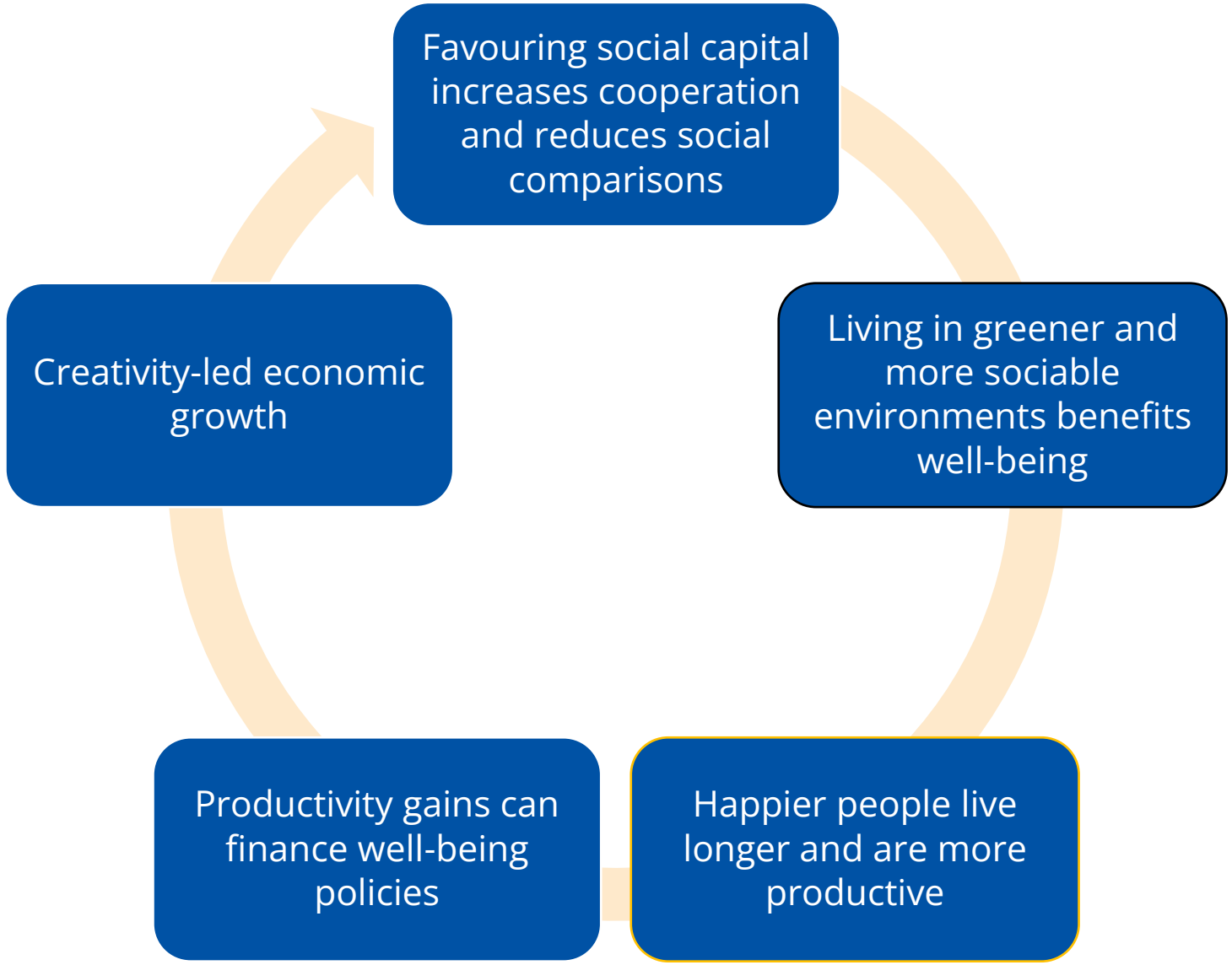
Improve work environments — **Improve social relations, work better, reduce stress and turnover.**

- Reduce working time;
- Reduce individual incentives in favor of team work;
- Favor employee participation in decision-making;
- Empower employees and provide autonomy.

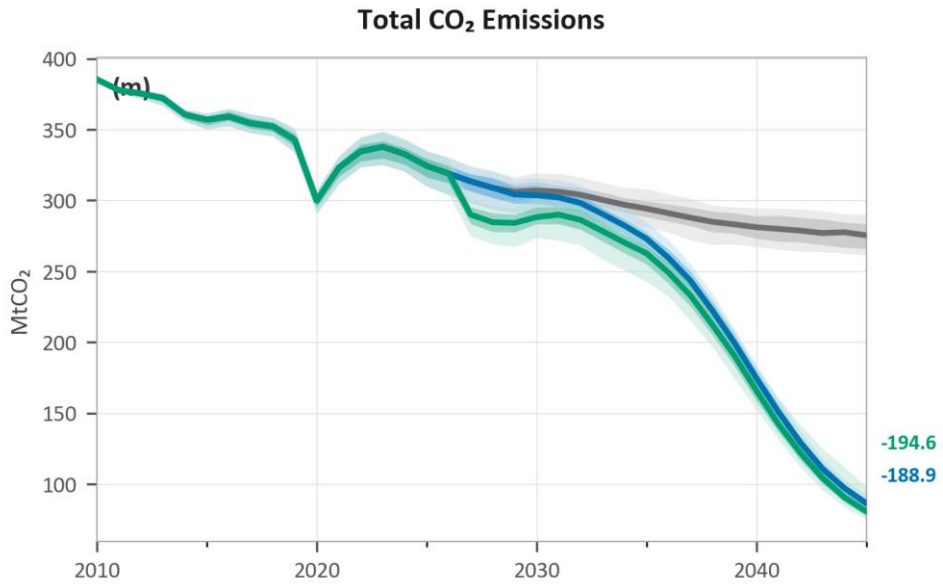
Invest in resilience — **Prevent long-term economic and ecological costs.**

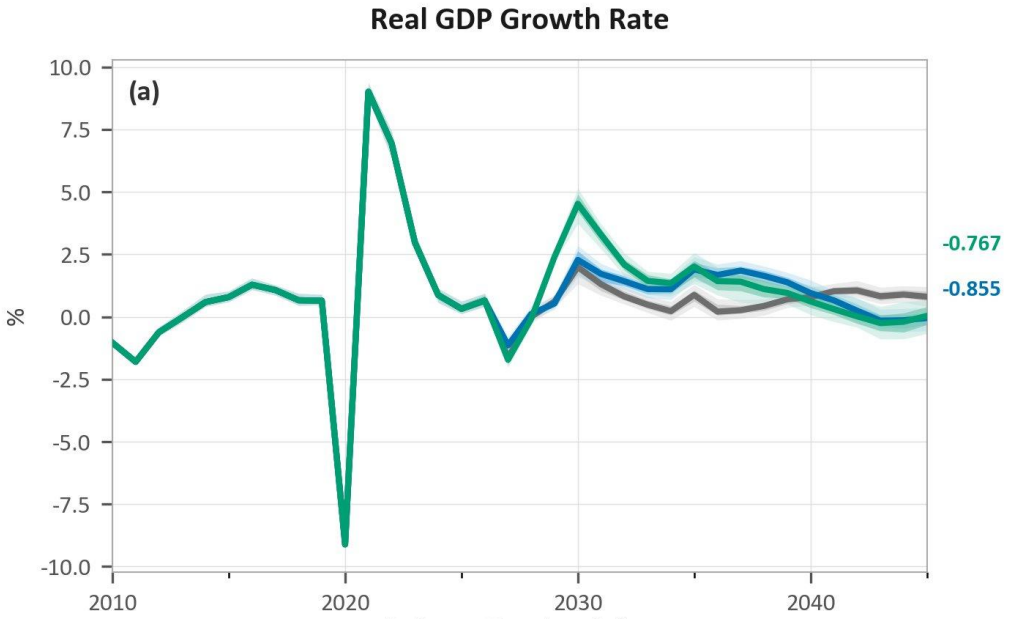
- Good quality public education and healthcare;
- Promote soft mobility;
- Invest in environmental protection and regeneration.

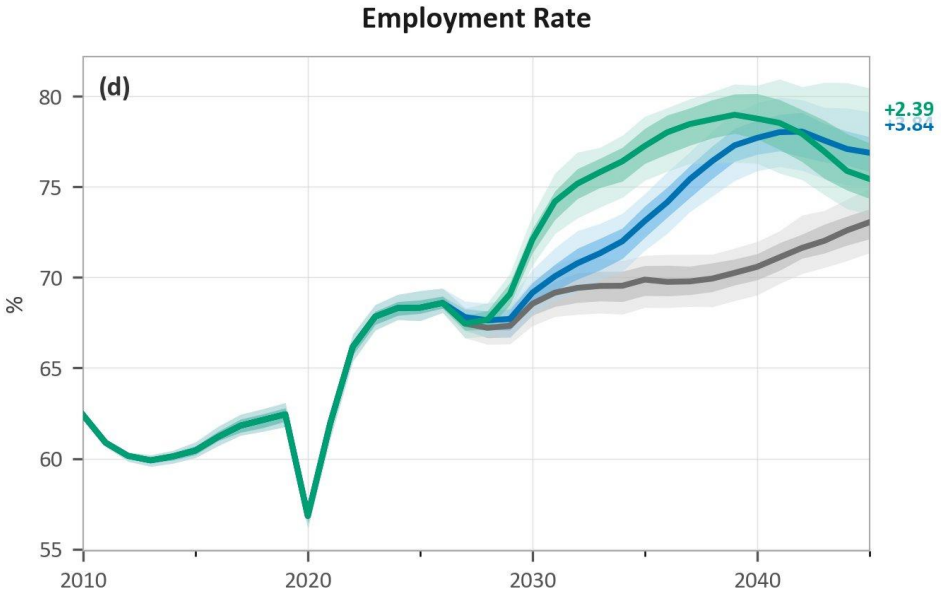
The neo-humanist virtuous cycle

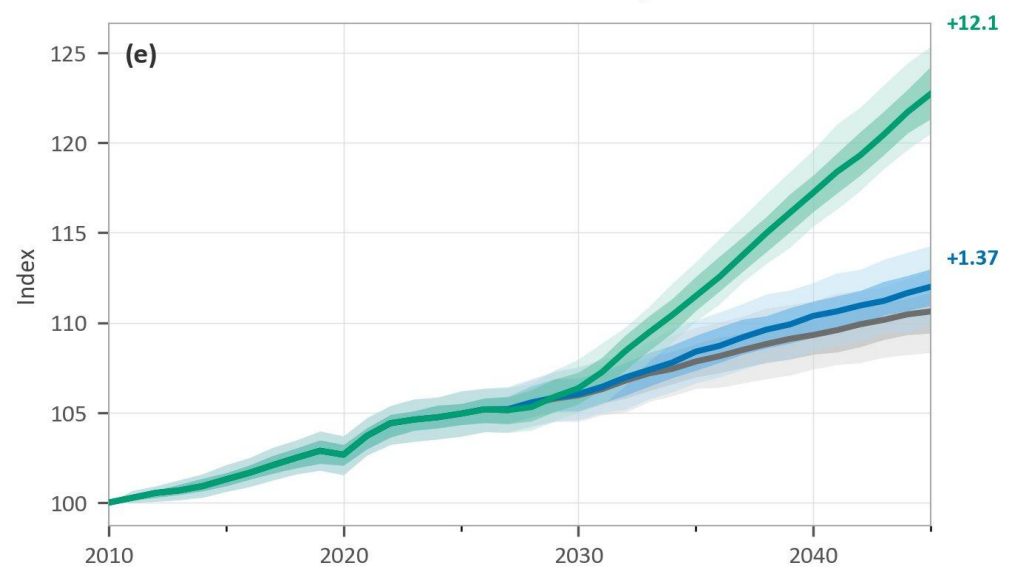


Is it possible? Results from simulations



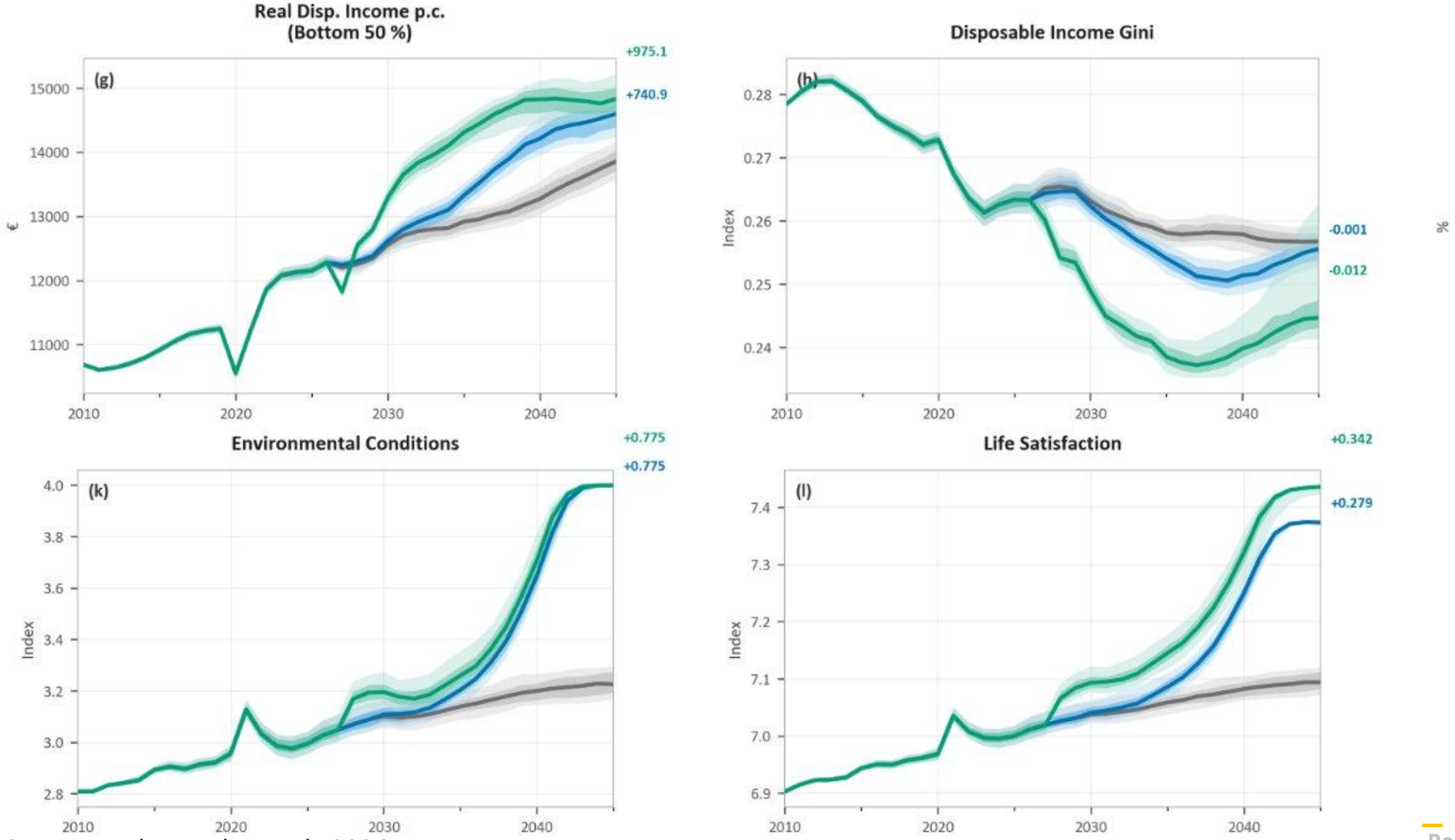






Source: D'Alessandro et al., 2026.

Results from simulation, continued.



Source: D'Alessandro et al., 2026.

Conclusions

- Economic growth is **a tool** for better lives, **not an end** in itself;
- Subjective well-being should be **the primary objective** in decision-making;
- How we achieve growth matters: rising inequality and declining social capital partly explain the average nil relationship between economic growth and well-being;
- Public policies should **preserve and strengthen** the social foundations of well-being;
- This can initiate **a positive feedback loop** linking social relations, well-being, environmental sustainability, and economic performance;
- Scenario analysis partly **supports neo-humanist predictions**: decreasing inequality will lead to near-zero growth economies, decrease environmental impacts, while rising employment, and life satisfaction.

Thank you!
Any questions?

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Appendix

The trust paradox

	OLS-FE	Two-Stages FE		Two-Stages FD		
		1st stage	2nd stage	1st stage	1st stage	2nd stage
L.Real GDP per capita (in 2017 US$, log)	**-10.03*** **		**-18.21** **			
	(-2.63)		**(-2.41)**			
LD.Real GDP per capita (in 2017 US$, log)						**-30.21*** **
						(-2.28)
L.Exports (log)		0.179***		0.0558***	-0.0103	
L.Capital deepening (log)		0.553***		0.227**	-0.0610	
L2.Capital deepening (log)		-0.194***		-0.352***	-0.0187	
L2.People trusting others (%)				0.0001	-0.0109**	
L3.People trusting others (%)				0.0001	0.001*	
LD.People trusting others (%)						-17.30***
Year dummies	included	included	included	included	included	included
Observations	926	920	920	920	920	920
Number of countries	94	88	88	88	88	88
Kleibergen-Paap underidentification test			34.75			31.14
p-value			0.000			0.000
Kleibergen-Paap weak identification test			41.48			14.79
Hansen J statistic			0.0391			2.512
p-value			0.981			0.473
Sanderson-Windmeijer test of underidentification:		128.82		75.26	788.43	
P-value		0.000		0.000	0.000	
Sanderson-Windmeijer test of weak identification:		41.48		18.13	189.99	
P-value		0.000		0.000	0.000	

Notes: T-statistics in parentheses. * p<0.10, ** p<0.05, *** p<0.01. Year dummies included.

Source: Sarracino & Slater, 2025; Penn World Tables 10.01 and SDR 2.0 data.

Method

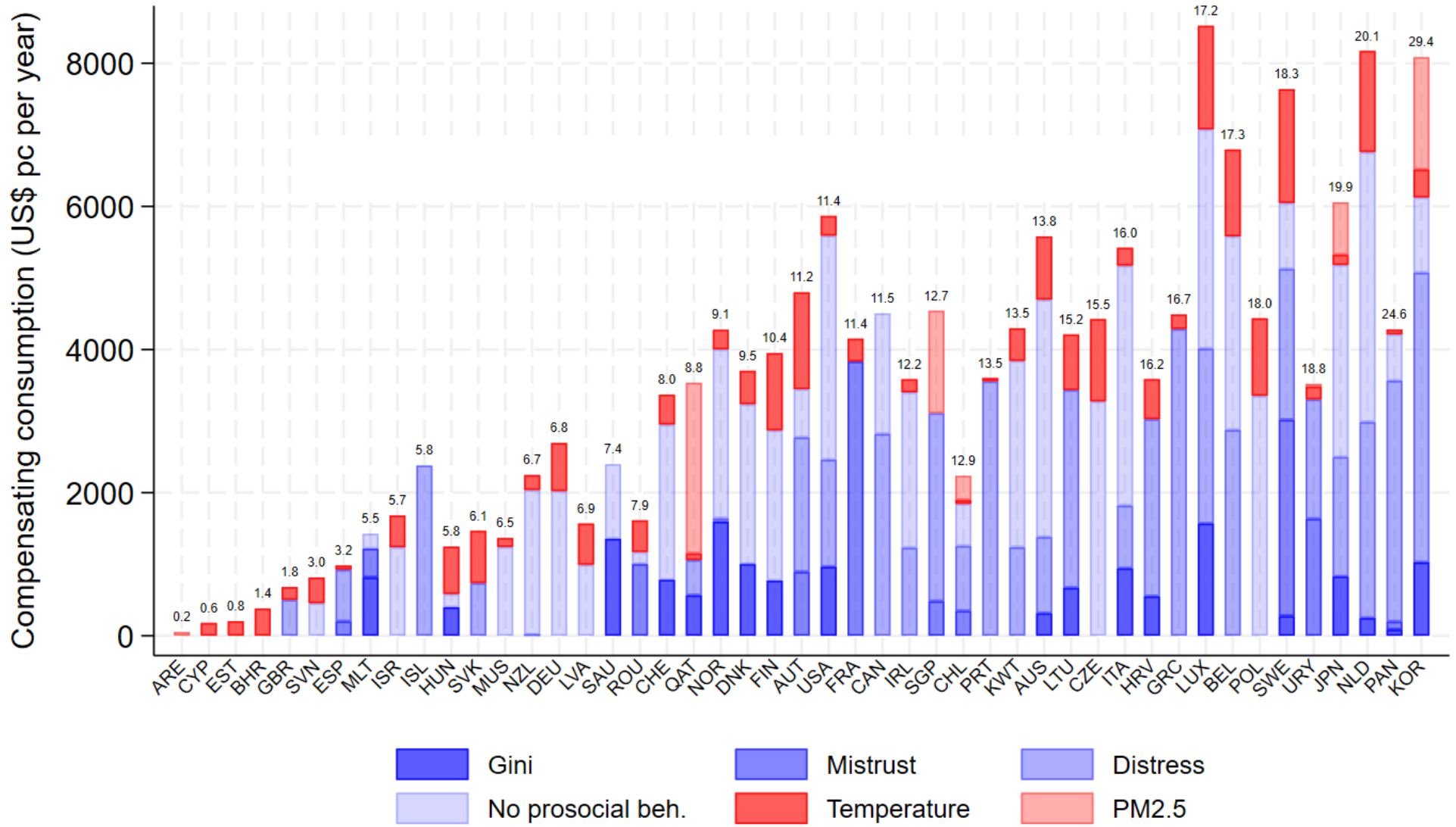
$$SWB_{i,c,t} = \alpha + \boldsymbol{\beta_1}(Bads_{c,t}) + \boldsymbol{\beta_2}(Log\ Consumption\ pc_{c,t}) + \beta_3 Z_{i,c,t} + \beta_4 X_{c,t} + \lambda_t + u_{i,c,t}$$

$$Compensating\ Differential = \overline{Consumption}\,(e^{(-\frac{\boldsymbol{\beta_1}}{\boldsymbol{\beta_2}} * SD_{bad})} - 1)$$

→ Extra consumption needed to maintain the level of well-being unchanged when the bad is higher by one SD

The differential is computed as a Willingness to Accept

Estimated Compensating Consumption by Country



Notes: The figure is **ranked by equivalent compensating consumption** (displayed over each bar), that is, **the value of estimated compensating consumption over observed consumption** per capita. Estimated compensating variations are computed as the unit bad multiplied by the observed change in the bads over the period, for each country. Data for social variables are missing for United Arab Emirates and Bahrain; data for environmental variables are missing for Malta. For the rest of the countries, if a bad's value is missing it indicates a decrease in the bad over the observed period.

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Thank you! / Merci !

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