Sustainable Consumption and Behaviour Change
Week 2: Sufficiency & Happiness Economics
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Content of today’s session

- Continuation of drivers of (over-)consumption
- Strategies for ecological consumption (consistency, efficiency, sufficiency)
- Business strategies for sufficiency
- Insights into well-being/ happiness economics
- Treadmills to explain the paradox of happiness
- Rethinking growth
Drivers of consumption (VII): Media/ Advertising

- OECD countries: 95% of households have at least one television
- Globally, more than 1.4 billion households own at least one TV set (79% of total households)
- For every additional hour of television people watch in the U.S. each week, they spend an additional $208 a year on stuff


Drivers of consumption (VII): Media/ Advertising

- Besides advertising, much of media output promotes materialistic aspirations:
  - Directly by extolling the high-consumption lives of celebrities and the wealthy
  - More subtly through stories that reinforce the belief that happiness comes from being better off financially

Drivers of consumption (VII): Media/Advertising

- Children are seen as potential and lucrative consumers who can be influenced through advertising media to desire certain products and to buy or persuade parents to purchase them.

- Children are a captive audience: the average American child watches an estimate between 25,000 to 40,000 television commercials per year.


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Drivers of consumption (VII): Media/Advertising

- Exposure of children to television advertising has “a positive causal effect on materialism” → Children with more materialistic values are less likely to engage in environmentally sustainable behavior.

- Insights from studies:
  - British children can identify more Pokémon characters than common wildlife species.
  - Logos are recognized by children as young as two years old: American two-year olds can not identify the letter M, but McDonald’s M-shaped golden arches.

Movie excerpt of “Consuming Kids” (0:00 – 12:00)

Source: https://www.youtube.com/watch?v=7hIAvD0hx_E

Current legal situation of regulation regarding advertising to children

• **United States**: deregulation of advertising to children

• **Norway**: bans ads 10 minutes before & after programs intended for children

• **Sweden**: bans commercials aimed at children under 12 when children are likely to be watching

• **Greece**: has a ban on advertisements for children's toys between 7 am and 10 pm & total ban on ads for war toys

• **EU**: considers issues related to advertising targeted at children and whether there should be a Europe-wide ban

Discussion in groups of four

- Do you believe that governments should regulate or even ban advertising to children? If so, why? If not, why not?

- Try to come forward with as many arguments for/against regulation as possible!

Yes, because ...

No, because ...

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Efficiency strategies

- Efficiency strategies aim to achieve a certain level of economic result with the least possible undesired environmental side effect
- Clearly the least controversial strategy path as no significant changes in people’s mentality and everyday life style are needed

Source: Oekoinstitut (2013): When less is more (http://www.oeko.de/oekodoc/1880/2013-008-en.pdf)

Huge efficiency potential in EU energy demand

[Chart showing energy demand savings potential by sector]

Source: Federal Ministry for the Environment, Germany; Fraunhofer IESE
Rebound effect triggered by efficiency

- **Rebound effect** = increases in (direct and indirect) consumption that are triggered by the efficiency measure

![Diagram showing the rebound effect](image)


Consistency strategies

- Consistency strategies focus on **replacing environmentally harmful substances** with more environmentally friendly materials and energy flows that can be sustained indefinitely

- Examples: biofuels, renewable energy, etc.

Sufficiency strategies

• While efficiency and consistency strategies are more or less "technological" strategies that primarily require innovative changes in the production structure, sufficiency is more of a "philosophical" strategy

• Behavioral rather than a technical approach to sustainable consumption → most difficult to implement

• Examples (complete eschewal of certain goods; reduction in quantity of certain goods, longer use of products, etc.)


Ted Talk: The Joy of Less & Smaller Footprint

Source: https://www.youtube.com/watch?v=L8YJtvHGeUU
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Business strategies for sufficiency

- Alternative business models that are economically viable, while contributing to reducing material and energy throughputs

Source:
Business models based on extending product life

- Business model that is based on ensuring the product will last as long as possible & avoiding build-in obsolescence
- Characteristics for design: durability, reparability, modular design, not subject to fast-fashion trends
- Profitability would typically result from premium pricing, generating customer loyalty, increased market share from better products, and follow-on services

Business models based on encouraging direct product reuse

- Models based on redistributing used or pre-owned goods from where they are not needed to somewhere or someone where they are
Business models based on sharing resources across more people

Business models based on demand reduction services

- Business models based on mitigating the use of energy and resources by individuals and businesses
- Often the firm is paid for services/products, while the consumer makes savings that are greater than the fees
- Mitigating the use of energy through, e.g.
  - Consulting services (audits, etc.)
  - Innovative products (e.g. water saving devices, house activity detection that put heating systems in sleep mode)
  - Energy contracting
  - Consumption feedback devices
  - Etc.
Opower (provider of cloud-based software to the utility industry and their customers)

Source: https://www.youtube.com/watch?v=Pfr7yD2rbjg

Group discussion

Do you know novel business ideas for promoting sufficiency from e.g. your travels abroad that are not yet available in Switzerland?

What other companies / business models available in Switzerland do you know that contribute to more sufficient lifestyles?

Would you consider yourself as a target group for such companies that follow such business models? If yes, why? If no, why not?
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Higher income related to numerous benefits throughout a person’s life

- Richer people are:
  - relatively more likely to have a **good physical health** and have **greater longevity**
  - **less likely** to experience **stressful life events**
  - **less likely** to suffer from **mental health** conditions
  - **less likely** to become **victims of violent crimes**

**Sources:**
Money buys (some) happiness

- Income does correlate with happiness, but the magnitude of the relationship is relatively weak.
- Income most strongly correlates with happiness when one is poor, but the size of the relationship wanes as incomes rise.


More income more signifies an improvement in the life conditions of the poor

- The poor suffer from deprivations of various kinds:
  - Lack of adequate food supplies
  - Remunerative jobs
  - Access to health care and educational opportunities
  - Safe homes & safe water and sanitation

- As incomes rise from low levels, human well-being improves → Even small income gains can result in a child’s survival, the end of hunger, better learning opportunities, etc.

The Easterlin Paradox (key concept in happiness economics) – Principle 1

- **Principle 1:** In a given country, richer individuals are happier and more satisfied with their lives.

  ![Graph showing self-reported happiness level vs. annual household income](http://gravityandlevity.files.wordpress.com/2013/05/happiness-income-linear.gif)


The Easterlin Paradox – Principle 2

- **Principle 2:** People are happier and more satisfied with their lives in higher-income countries.

  ![Graph showing life satisfaction and per capita GDP](image)

Factors positively influencing level of happiness

- Social trust among community
- Sense of “feeling free” in a society
- High level of social equality
- Low level of corruption
- High level of education
- High level of mental and physical health
- Free time


The Easterlin Paradox – Principle 3

- Principle 3: In average, on the long run, people in a given country do not become happier over time, when national income increases

- People in developed countries like the U.S. and most of Europe have not become happier despite a massive increase in wealth over the past decades

Self-reported life satisfaction seems to fluctuate without major long-term trends.

United Kingdom

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Possible explanations why increasing GDP does not lead to increasing levels of happiness

1. Positional treadmill

2. Hedonic treadmill

3. Materialistic mindset

4. Multi-option treadmill

5. Time-saving treadmill

1. Positional treadmill: People are concerned about their relative income/standing

- People do not value only absolute income, but compare it to the income of relevant others

- **Relative standing**: the level of satisfaction depends upon my relative consumption versus those in my comparison group

1. Positional treadmill: Level of satisfaction depends upon relative income

Source: Dan Ariely (Professor at Duke University) about relativity: https://www.youtube.com/watch?v=mAc2VdnK78c

1. Positional treadmill: GDP growth zero-sum game?

- People are happier when they are higher on the income ladder

- Yet **when everybody rises together, relative status** remains unchanged

- Search for status becomes a zero-sum game on aggregate → even if income grows for everybody, this does not result in increased relative income for everybody

1. Positional treadmill: Some goods are more “positional” than others

- Domains where relative level is key:
  - Cars
  - Houses

- Domains where absolute level is key:
  - Health
  - Safety
  - Holiday time


2. Hedonic treadmill: Aspiration levels adjust to the rise of income

- People may experience an initial jump in happiness when their income rises because it allows them to buy more goods and services

- But happiness levels then at least partly return to earlier levels as they adapt their aspirations to their higher income

2. Hedonic treadmill

- Hedonic adaptation erodes via two key pathways:
  
  - (1) Decreased pleasures: As time passes, the pleasures of a positive change evaporate
  
  - (2) Increased aspirations:
    - People tend to adapt to higher income by rising aspirations
    - In the longer run, this causes happiness to stagnate as, according to aspiration level theory, happiness is determined by the gap between aspiration and achievement


2. The hedonic treadmill

“...To receive something is better than to have it”
“When you get something, it is novel and exiting. When you own something, you consider it as a matter of course and you get bored by it”

“...But everything that you get will eventually become something that you own.”
“That’s why you always need something new!”

3. Materialistic mindset: People who prize material goals high tend to be substantially less happy

- *Three values* define a material mindset:
  - Possessions are the route to happiness
  - Acquiring them is a central life activity
  - A person’s worth is seen in material accomplishments

- A large amount of research has shown, consistently and strongly, that *the more* someone ascribes to these values, *the unhappier they are and the more dissatisfied* they are with their life.


3. Materialistic mindset: Possessions bring less happiness than experiences

- Research shows that people acquire more happiness from spending on experiences than spending on material objects

- **Experiences:**
  - Live on in memory
  - Are incomparable
  - Are often central to the self, part of the biography

4. The multi-option treadmill

- Along with economic growth we can observe a development towards a **multi-choice society** or a **multi-option society**

- There is a constantly increasing variety of goods and services, which open new windows of opportunities for consumption, investment, leisure activities and lifestyles


4. The multi-option treadmill

- At first sight, the availability of more options is likely to add to happiness as an increasing number of wants can be satisfied

- But an increasing number of options also makes choice more difficult

- When the number of options becomes excessive, freedom of choice turns into a **tyranny of choice** → effort & time required to make optimal choice escalates & risk to miss out on the best option

4. The multi-option treadmill: Satisficers vs. maximisers

- Individuals who maximize consider all possibilities comprehensively and strive to select the best option
- Individuals who satisfice, however, merely seeks an alternative that exceeds some criterion of acceptability
- Satisficing is more likely than maximizing to be associated with satisfaction and wellbeing → Maximizers are more inclined to experience regret and depression


5. The time saving treadmill

- Time-saving technological progress increases “time efficiency” or “time productivity” of performing certain activities so that we can do more within the same time
- However, these time-saving efforts rarely result in actual time-saving

Can you think of any innovations where the time-saving potential of the innovation was lost?

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Rethinking growth

- For several decades, growth in gross domestic product (GDP) has been the primary goal of economic policy
- Assumption: increasing consumption $\rightarrow$ improved well-being
- Appropriateness of rising GDP as single measure of success is now seriously in question
- Main criticism of GDP is that it focuses on throughput of materials, capital & labour rather than on outcome of improved lives

Example: Oil spill

Disasters like the BP oil spill demonstrate the inherent limitations of GDP as a measurement of the well-being of citizens in an economy.

Alternative benchmarks of progress

The need to shift development objectives from quantitative growth to qualitative improvements in life outcomes has resulted in a number of high-level initiatives in recent years.

Gross National Happiness (GNH) used in Bhutan

• Bhutan is a small country in Asia located at the eastern end of the Himalayas

• Bhutan is the only country in the world to have officially adopted gross national happiness instead of GDP as the main development indicator

• 2008: GNH Commission founded that develops a sophisticated survey to measure the population’s general level of well-being (incl. questions related to health, education, emotional fulfilment, perceived ecological sustainability, etc.)


Source: http://www.youtube.com/watch?v=7Zqdqa4YNvl
Importance of environmental conservation in Bhutan

• The government must consider every policy for its impact not only on GDP, but also on GNH

• Bhutan is being held up as an example of a developing country that has put environmental conservation and sustainability at the heart of its political agenda

• Alongside math and science, children are taught basic agricultural techniques and environmental protection

Development progress of Bhutan

• Agenda for poverty eradication includes mobile phone connectivity for every community, safe drinking water, electricity for every home, motorable road to every community

• Bhutan’s GDP growth rate for 2011 was 8.1% (2nd in South Asia/11th in the world) → Since 1980 per capita income has increased by 450%

• Poverty rate has halved in less than a decade (23% in 2007 to 12% in 2012)

• Since 1980 life expectancy has increased by 20 years

• Health care and education are free

• Almost 100% of its children are enrolled in primary school
But… Bhutan is facing huge social challenges, too

- Despite its focus on national wellbeing, Bhutan faces huge challenges

- It remains one of the **poorest nations** on the planet:
  - A quarter of its people survive on less than $1.25 a day
  - 70% live without electricity
  - Literacy is still only around 50%
  - Only half of children attend secondary school
  - Unemployment is increasing
  - Suicide rates are alarmingly high
  - Rising crime in cities, growing gang culture, etc.

2012: Historic U.N. High-level meeting hosted by Bhutan with >800 participants


- Start of a global movement to create a new economic paradigm: central goal of human happiness and well-being of all life on Earth

- Bhutan contributed to transforming the way the world is thinking about GDP and well-being of its population

Source: [http://www.huffingtonpost.com/2012/06/11/united-nations-calls-for_-n_1582289.html](http://www.huffingtonpost.com/2012/06/11/united-nations-calls-for-_n_1582289.html)

3 – Insights from psychology on behavior change (October 7)

- Traditional behavior change instruments and their limitations

- Power of social norms and peer effects

- Power of habits

- Positive spillover & moral licensing

- etc.
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