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MANIFESTO FOR HAPPINESS

Shifting society from money to well-being

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Chapter 1 - Introduction

The discovery of reliable and low-cost methods of measuring happiness in recent decades has stimulated intense debate involving all branches of the social sciences, and has also attracted the interest of the media. Measures of happiness are now available for a great number of countries and in some cases cover long historical periods since the end of WWII. Whether subjective (concerning the well-being perceived by individuals) or objective (concerning suicides, alcoholism, drug abuse, mental illness, use of tranquilizers and antidepressants, etc.), they tell a troubling story: happiness in Western societies since WWII has not improved to any great degree. Despite the enormous increase in access to consumer goods in the past 50 years, Westerners do not seem happier. In shortde, the data suggest that money does not buy happiness.

This solid evidence comes as no surprise to the advertising world. A celebrated member of this profession, Frederic Beigbeder, wrote: “I am an ad-man. Making you drool is my mission. In my line of work no one wants your happiness, because happy people do not consume”.

However, if we look beyond advertising, for Western culture the lack of a positive correlation between happiness and access to consumer goods is such a great surprise that it earned the title of “happiness paradox”. To have an idea of how much the concept of poverty is associated with unhappiness in our culture, one need only think of the fact that all Western languages define Mr. Smith as *poor* if he loses his wife or if he falls seriously ill or dies, even if he always lived in ease and comfort. In other words, poverty is the symbol of all ills to such an extent that people are called “poor” even if their troubles have nothing to do with material poverty!

The happiness paradox is therefore disquieting to western culture: with all our achievements in such fields as economic prosperity, political freedom, educational, hygiene, health standards, technological progress and life expectancy, how is it possible that people do not feel better? Have we worked so hard to create a better world only to discover that it was full of suffering? This paradox threatens a cornerstone of modern culture, namely that economic growth is a plausible means for improving the perception that people have of their lives. Indeed, economic prosperity is the major aspiration of nations, communities and individuals, and growth is considered the main sign of

progress of a country. In our collective imagination, economic progress means being able to buy more things.

By analyzing the impact of growth on well-being in Western countries, happiness studies assess the desirability of an experiment of historical importance for humanity. In fact, the West experienced the only accomplished liberation from mass poverty in history. The assessment of well-being that this experience produced is of extraordinary importance, since this is the experience to which everyone aspires, in the belief that it will help them live better.

However, people do not seem to feel better when they have access to more money. The happiness paradox contradicts the income – well-being equation, raising questions that are at the forefront of public debate. The media give much space to this issue. For example, the "Financial Times" has published many articles, including an editorial entitled *Were hippies right?* The "Economist" went so far as to dedicate the front cover of several special issues to happiness studies. Faced with the happiness paradox, the magazine defended existing economic organization by claiming that the historical task of capitalism is to expand access to consumer goods and not to make people happier. It is paradoxical that this thesis is advanced by advocates of the current economic order and reveals their discomfort. Indeed, economists teach the following concept in introductory courses in microeconomics: having more money is not an end, it is a means for living better.

This book is an inquiry into the causes of present-day unhappiness and its solutions. The thesis is that the crux of the problem is relational. Western societies show a long-term decreasing trend in the quality of people's relational experience. The main explanation I propose for the happiness paradox is that the positive effects on well-being of the improvement in economic conditions have been off-set by the negative effects of the deterioration of relations between people.

Were we better off when we were worse off? My answer is no. Let me be clear from the start: the happiness paradox does not mean we should be nostalgic for the rural societies and communities of yesterday or make a legend of the "good old times", because they were not good times. Not only were they not good with respect to the material aspects of life, but also from the point of view of relations.

It is true that the modern world is full of relational tragedies. The literature of the 1900s records overwhelming numbers of relational dramas of solitude and non-communication. However,

although people were never alone in pre-modern societies, that world had its relational tragedies too, symbolized by the impossible love of Romeo and Juliet. They were tragedies of belonging. In pre-modern societies everybody belonged to someone else; people were not free to choose their destiny, nor could they choose the objects of their affections. Marriages, for example, were never free; they were always arranged by the families. People had demanding social roles and their choices were subject to family and community ties.

At this point in our history, the crucial issue for improving the human condition is relational. Does liberation from the chains of belonging, the freedom conquered with the end of the traditional way of life, inevitably mean solitude and non-communication? Must human relationships choose between solitude and lack of freedom? Do human relations face an unavoidable trade-off between freedom and cohesion?

This book provides a negative answer to such questions. The freedom of individual choice is indispensable for happiness. The road to be traveled is not that of surrendering freedom in favor of community. It is possible to create a free, yet cohesive society. My main thesis is that the economy matters greatly for happiness, but not in the sense that prevailing economic and social thought would expect, that is to say: what counts is average income level or economic prosperity. The economy matters because it has a critical role in determining the relational dimension in which people live. Human relations are what matters most for happiness and the economy matters because it shapes these relations to a large extent. What also counts very much is our culture, in other words how we think of ourselves, our relations with others, the horizon of what we consider possible, both individually and socially. However, the nature of the economic system also plays a significant role in shaping culture. It is here we can act.

The book is divided into six parts. The first part summarizes the argument. In the second part, I begin my exploration of the happiness paradox starting with the United States, an extreme case of this paradox. The happiness of the average American shows the worst trend in the Western world. It has declined since the 1950s, whereas the trend of average happiness has been flat or increased slightly in other Western countries.

The American example is important, not only because it is the only world superpower, but for two further reasons. The first, as we shall see, is that it exemplifies what not to do if we are interested

in promoting happiness. The second reason concerns America's role in globalization. The US was the political engine of world globalization for decades, at least until President Trump. The cultural role of America has been no less important. Becoming globalized also means becoming more similar to Americans. One of the various meanings of the word globalization refers to the spread of the American dream, of fencing the notion of good into one's private sphere. The message is: make as much money as you can; nothing else matters. Many people believe that America is an example to emulate because it is the embodiment of a social message.

However, happiness is regressing in the country that many consider the most progressive in the world. In the second part of this book, I warn about the dire effects of the American dream, above all on Americans. The emerging picture of America shows a society wracked by profound social, psychological, emotional and institutional crisis, shaking on its foundations and generating unhappiness and malaise. American society is plagued by a crisis in personal and social relations, the major source of the decline in happiness. In drawing this picture, I do not refer to those facets of American society that are the most recurring motives for criticism: enormous growing inequalities and widespread poverty. I agree that these are huge problems, more extreme in American than in European societies. But I refer to a crisis that concerns all Americans: it is the crisis of a social model and my critique is not based on the fact that the model favors some to the detriment of others. In the US, there are no winners and losers: there are only those who lose more and those who lose less.

In the third part, I offer an explanation for the decline of relations in the United States. It is due to socio-economic organization and culture based on competition, coupled with incessant advertising propaganda centered on possession, unprecedented and unequaled in any other country. In this sense, the United States is not an example to follow: it demonstrates the risks of social disintegration and unhappiness facing other countries of the world if they continue on that path, as many suggest they should. The extremes of American competition and consumerism are not good for happiness. A different path is needed.

European societies are in comparatively better shape. They have a different social model, of which they may be largely unconscious: one that functions better, although the American standard is not so far away. It is a warning of what Europeans could become; it shows them their destiny if they make the wrong choice. Europe should exploit the opportunity offered by the United States to learn from its errors, because relational decay depends on cultural and social choices that can be avoided.

Europeans should be aware of what America has become, of the fact that European societies are generally in better condition and that they have a different social model. This specificity is being lost under the prodding of those who believe that America is the model to emulate. Westerners have become more and more American in the past twenty years. We must reverse this course. Europeans must develop their own specificity; only then and not by pursuing the American model can they increase well-being.

The fourth part of the book offers a concrete political agenda prompted by studies on happiness. It allows us to glimpse a different type of society. The West has taken the wrong path in many ways and the United States has done so to the greatest extent. The global influence of the West in determining economic and social models is leading much of the world in the wrong direction. We need to change many things, from the way we build and organize our cities to the way we work. We should change our schools, healthcare systems, how we protect our environment, our culture, the education that parents impart to their children and even our democracy. This about-turn is actually possible. We are simply using the enormous potential for an increase in happiness created by economic prosperity in the wrong fashion. The problem involves our culture and our economic and social organization. In other words, we have the wrong idea about how to better our lives and our societies, as well as inadequate institutions for achieving this goal.

The fifth part is dedicated to an analysis of the current economic crisis, seen as the epilogue of the social crisis in the United States, which turned into an economic crisis and infected the entire planet.

The sixth part focuses on good news. The project for social reform outlined in the fourth part is possible because the historical conditions created at the end of the twentieth century require and enable profound reorganization of the socio-economic order, internationally as well as in single countries. We have also entered a phase of profound scientific and cultural change, of which the science of happiness is an important aspect. Discussion on human happiness can now leave the realm of speculation and become the object of scientific analysis.

This type of research and its dissemination can help change people’s perception of what can be modified at individual and societal level. These are the types of changes that can gradually alter the way society is organized.

PART ONE: The manifesto in brief

Chapter 2 - The disease

1. The symptoms: unhappiness and haste

We begin our journey into present-day discontent in the United States. In the last 35 years, America experienced vigorous economic growth, but while the country began to increasingly resemble the Promised Land of consumer affluence, Americans were feeling worse and worse. They reported to be less happy and experienced an epidemic of mental illnesses. Why is there this famine of well-being amidst such economic affluence?

The answer to this paradoxical question is complicated by the fact that working hours in the United States have lengthened in the last 30 years. Americans have less and less time, and are more and more in a hurry, oppressed by *time-squeeze*, *time-pressure*, *time-poverty.* Why do Americans strive so much for money if it does not buy them happiness?

2. The disease: the decline of relations

The decline in happiness and the increase in working hours are both symptoms of the same disease: the deterioration of personal and social relations.

With respect to happiness, the data from the United States in the period 1975-2004 shows that the increase in income has had a positive impact on happiness, but that this impact has been more than compensated by several negative factors. The main one is the decline in relations. Indicators show an increase in solitude, communication difficulties, fear, sense of isolation, mistrust, family instability and inter-generational cleavages, and a decrease in solidarity, honesty and social and civic participation.

These measures are statistical embodiments of the concept of relational goods. They indicate the quality of the relational experience of people. Relational goods have a sweeping impact on

happiness. If relational quality had remained at 1975 levels, the happiness of Americans would have grown. Thus, a big part of the explanation for why US citizens are less happy is that the negative effect of greater relational poverty on happiness has been stronger than the positive effect of the greater affluence.

The American economy would have had to grow at a much greater rate than it actually did, if the increase in relational poverty were not to reduce happiness. A 10% yearly growth rate in average household income – much higher than that actually recorded – would have made up for the loss of happiness caused by the decline in relations, leaving average happiness unchanged at its 1975 level. In other words, for such a great deterioration in relations, not even 30 years of economic growth at a Chinese pace would have sufficed to increase the happiness of Americans.

Let us now turn to the increase in working hours. Data from the period 1975-2004 shows that people who are poorer from a relational viewpoint, work more hours on average. In other words, relational poverty leads to more time spent working and a greater interest in money. This suggests that the increase in working hours in America over these three decades has been influenced by the deterioration of relations. Americans seek compensation in work and money for the deterioration of their relational condition. However, time and energy devoted to work are in turn diverted away from relations, so that people who work a lot tend to have worse relations. Their lives are trapped in a vicious circle. People react to their relational poverty by dedicating more time to work. The time and energy absorbed by their job mean they neglect relationships, leading to even deeper immersion in work, and so on. People are trapped in a spiral with ever less time, relationships and well-being.

3. Defensive growth

The emerging picture is one of a country in a profound, decades-long social crisis. Over the past few decades, Americans have become poorer in relationships, time and well-being. Yet the advocates of the American model reply that the United States seduces because of its economic dynamism. In fact, despite these signs of social discontent, in the same period the United States experienced growth rates of the economy envied by most western countries.

Is there a relationship between these two contrasting features of American society? Are social crisis and economic dynamism linked in some way?

According to the defensive growth approach, the answer is yes, because economic growth can be both the cause and the consequence of relational decay. In fact, money offers many forms of protection – real or illusory – from relational poverty. If the elderly are alone and ill, the solution is a care-giver. If our children are alone, the solution is a baby-sitter. If we have few friends and the city has become dangerous, we can spend our evenings at home enjoying all kinds of home entertainment. If the frenzied and unlivable climate of our lives and our cities distresses us, we can lift our spirits with a holiday in some tropical paradise. If we quarrel with our neighbors, we can hire a lawyer to defend us from their harassment. If we don't trust someone, we can pay to have him monitored. If we are afraid, we can protect our possessions with alarm systems, security doors and private guards. If we are alone, or if we have difficult and unsatisfying relationships, we can seek a form of identity-making redemption in consumption, success or our work. Advertising obsessively reminds us that if we are afraid of being losers, the reassurance for all our fears is to buy: "I consume, therefore I am". In the rose-colored world of advertising, products are perfect substitutes for love: they requite our love, although in the real world, they obstinately refuse to show any emotion.

All these private goods protect us from the decay of things that were once common and free: a livable city free of crime, with more trust and communication between neighbors, with a social fabric of neighborhoods and communities that provided company for children and the elderly. Or they at least promise to protect us, as does the advertising industry regarding our fears of exclusion, fears that flourish in a world of rarified and difficult relationships.

These expenditures force us to work and produce more and they increase GDP, that is to say they generate economic growth. They are a driving force of the economy. When social ties break down, the economy of solitude and fear thrives.

The same argument applies to the quality of the environment. Vacations in unspoiled environments offer us the clean air, seas and rivers that we can no longer find in our unlivable cities.

The economic growth generated by these mechanisms can in turn fuel relational and environmental decay. It can fuel it, although this is not inevitable. This is a crucial point, because growth does not have to lead to the deterioration of relational goods. This depends on the economic, social and cultural organization of a country. I define defensive capitalism as the type of organization that tends to produce this decay of relational goods.

The point is that when growth does have this detrimental effect, it generates a process by which growth fuels relational (and environmental) decay and this feeds growth. The outcome of this self-feeding mechanism is a growing affluence of what is private and an increasing scarcity of what is common: relations and the environment. This is the trap of defensive growth. It predictably has disappointing effects on well-being, because while it increases our access to private goods, it diminishes our access to common goods.

This is why the traditional view of growth tells only one part of the story, the bright part, according to which the luxury goods of one generation become standard goods of the next generation and these in turn become the basic needs of the next. The history of economic growth abounds with examples of this kind.

The dark side of the story remains untold. It is the story of goods that are free for one generation, become scarce and costly for the next generation, and subsequently become luxury goods. The history of growth is full of these examples as well. Goods that were freely or almost freely available to our grandparents, and often our parents, now have a cost, goods such as clean natural environments or simply human curiosity.

According to defensive growth, relational and environmental decay is a major factor in the inability of the American economy to generate happiness and leisure time, and in its parallel capacity to generate growth. The limited appeal of American society in terms of the trends of happiness, working hours and relational goods could be linked to what is generally offered as its main attraction: the capacity to generate economic growth. In such a context, however, it is not an attraction; it is just one symptom of relational disease. As I illustrate further on, this disease produced an accumulation of global economic imbalances that culminated in the financial crisis that began in 2007.

In Europe, things seem to go a little better. Continental Europe showed different trends from America in the 20 years from the 1980 to the Great Recession. Its economy grew less and working hours diminished. If the trend of relational goods really is a contributing factor to these differences, then we should expect to find that these goods evolved more positively in Europe than in the United States. The same should be true for the trend of happiness. And, in fact, this is exactly what we find. Relational goods and happiness both grew (albeit weakly) in Europe.

The comparison with Europe therefore also suggests that American society could be trapped in a mechanism in which people defend themselves from relational decay by accumulating private wealth. European societies are not immune to this disease. However, the evolution of relational conditions seems less unfavorable, and this results in a slower growth rate and decrease in working hours, and in a less disappointing happiness trend. In short, the home of defensive growth capitalism is America. It seems to be less rooted in Europe.

What lessons can we learn from the American experience of the past few decades? Economic prosperity is significant for well-being. It matters less than was previously thought, but it matters. The real question is the price we are willing to pay for economic prosperity. The American case shows that if this price is the sacrifice of things that are truly important to us, such as relationships, then economic growth is not worth the sacrifice of well-being. It is not so much development, but its social quality, that matters for well-being.

Chapter 3 - The causes of the disease: the change in values

1. Materialism and relations

On what does the quality of relations depend? The answer to this question is important, because it is the source of answers to other fundamental questions in this book. Why have relations worsened in America? And why have relations decayed more in America than in Europe?

The most important factor for the quality of relations is culture. The link between culture and relations is the subject of a vast number of studies conducted by social psychologists. They indicate that materialism is the type of culture that works worst for relations. Materialism consists in ascribing great importance to extrinsic and low priority to intrinsic motivations. The distinction between extrinsic and intrinsic motivations refers to the instrumentality or otherwise of the motivations for doing something. In fact, the term “extrinsic” refers to motivations that are external to an activity, such as money, while “intrinsic” refers to internal motivations, such as friendship, solidarity, civic sense and the like. People with materialistic values attribute higher priority to goals such as money, consumption and success, and limited priority to affections, relations in general and pro-social behavior.

These studies, based on different population samples, quantify levels of materialism using various methods and relate them to psychological outcomes, such as well-being and the quality of relationships with others and with oneself.

The results show that materialistic individuals enjoy less well-being than non-materialistic persons. They are less satisfied with their lives, less happy and experience positive emotions (such as joy and contentment) less frequently. They experience greater stress, have a higher chance of falling prey to mental illnesses such as anxiety and depression, and suffer negative emotions (like anger, sadness or fear) more frequently. They also watch more TV, consume more alcohol and drugs and are less healthy.

The lower well-being of materialistic individuals is not surprising, given their troubled relations. In fact, materialistic values are associated with a poorer quality of relationships with friends and partners. This negative experience stems from relational attitudes developed by persons with materialistic inclinations. They tend to “objectify” the other, that is, to consider others as objects.

Objectification refers to the low degree of generosity, empathy, cooperative capacity and genuineness (non-instrumentality), and to the high level of cynicism and mistrust on which individuals with these attitudes base their relations.

The causality also goes in the opposite direction. A low quality of emotional relationship with one's parents during infancy is associated with higher levels of materialism in adolescents and adults. In fact, lack of affection generates a sense of insecurity and materialism is an answer to insecurity.

The conclusion of researchers is that there is a circular effect by which materialism and relational poverty feed each other. Materialistic culture drives individuals to organize their lives in ways that do not allow fulfillment of their relational needs, and this drives people to a higher level of materialism.

Besides being associated with poorer relations with others, materialism also generates a poorer relationship with oneself. Higher levels of materialistic culture are associated with lower levels of self-esteem, self-realization, vitality and autonomy.

In short, there is robust evidence that materialism is a bad deal for the people who embrace it and for those around them. Such values have rocketed in the United States. The percentage of university students who believe that high standard of living is an essential goal in life stood at 39% in 1970. But in 1995, this opinion had risen to 74%, becoming the main goal in life and overtaking any other ambition. From 1975 to 1991, the percentage of Americans who felt it was important to have a lot of money soared from 38 to 55%. Those who considered it important to have a job that pays much more than average rose from 45 to 60%. Since the late 1970s, every new generation of Americans has been more materialistic than the previous generation.

Given the relational difficulties of materialistic individuals, the spread of this type of culture is plausibly responsible for the decline in relations in America. In Europe, things seem to be a little better, in the sense that the spread of materialistic values has been more limited.

2. The market economy promotes materialism

The main factors responsible for the spread of materialism are the economic system and educational institutions. The role of the economic system is understandable in light of *motivation*

crowding out theory. This theory was developed by social psychologists to explain situations in which incentives have the opposite effect to those expected by economists.

A classic example is the perverse effect of the introduction of fines for parents who pick up their children late from day-care centers. Fines actually increase, rather than decreasing, the frequency of late pick-ups. In this and many similar examples, the introduction of monetary incentives reduces the willingness of people to behave in the manner that is being rewarded or punished, which is contrary to what economists generally believe.

The explanation offered by motivation crowding out theory is that monetary rewards change the motivations for actions. Picking up one's children on time out of consideration for the teachers (who are forced to stay back for late parents) is different from being on time to avoid a fine. The monetary motivation undermines the motivation that stems from a sense of responsibility, in the sense that it substitutes it and is not added to it.

In other words, the different motivations do not sum but tend to replace each other. Extrinsic motivations replace intrinsic motivations. According to researchers, the reason why monetary incentives undermine intrinsic motivations is that they produce a change in people's perception of why they do something. To do something out of consideration or a sense of responsibility is different from doing it for money, and these motivations cannot be added together. People do not add up the "whys" of their actions. They tend to have a predominant motivation for doing things. Motivations are crowded out because of the way our mind works. We need to give a sense to what we do, and to give a motivation to our actions means giving them a sense.

The market economy is an attempt to build an economic system that can do without intrinsic motivations. It is a system that puts people into relation for instrumental motives. By doing so, it influences the perception of why we are in relation; it gives a sense to our living together, to our constituting a society. It suggests that the motive is instrumental, namely based on personal and material interests. In essence, the market emphasizes the human ability of being in relation for extrinsic motives. The appeal to personal advantage redefines the motivations for the relations themselves, not even sparing the intimate sphere.

Since materialism consists in ascribing high priority to extrinsic motivations, the organization of economic relations on the basis of this type of motivation tends to generate materialistic values.

A problem of materialistic individuals is that their need for intrinsically motivated activities persists even if their values do not attribute much importance to those needs. Materialistic individuals tend to enjoy a less well-being, because they are less in contact with their deepest needs. Since they have trouble recognizing intrinsically motivated needs, their lives are not organized to meet them.

This is the main downside of the market. While it does offer advantages in terms of economic prosperity, it also disseminates values that are a bad deal for those who embrace them and for society as a whole. The extent to which it does so varies with the degree of penetration of market relations into social relationships. In short, the amount of market we inject into our socio-economic relations has side-effects, because it influences the spread of materialistic values.

3. The media promote materialism

The media, and in particular the advertising industry, play a leading role in driving the spread of materialistic values. Advertising has become extremely sophisticated, evolving towards the marketing of lifestyle. Advertising professionals, that is to say those who promote the sale of material objects, are perfectly aware of the importance of non-material needs. This is why they try to persuade us that buying will provide us with non-material advantages. Their credo does not consist in giving us information on products, but in creating an association between a product and positive emotions. The selection of advertising messages must trigger deep-seated psychological needs. Thus the promises of advertising are non-material: social inclusion, love, security, success, and ultimately well-being.

The guiding light of marketing bind has become to bind personal traits to consumption. Thus huge economic resources are expended to discover what type of woman buys a specific washing powder as opposed to another, or who climbs into one type of car instead of another. Consumption has become a form of individual expression: “I buy, therefore I am”; the consumer goods we own are our extended self.

The result of this obsessive stimulation to possess is internalization of an existential message of the kind: “The best therapy if you feel insecure is to go shopping”. Other types of remedies for discontent could work better – for example, buying less in order to be able to work less and have time to nurture one’s relationships – but they are not those suggested in the fantasy world of advertising. What can be sold is advertised and no one sells time or love.

4. At the root of the problem: the life of children

There are two excellent reasons for turning our attention to the ways in which the lives of children have changed. The first is that childhood is a crucial period for the formation of values that are important for building satisfying relationships and for lifelong happiness. The second is evidence showing that in America the decline of happiness as well as relations is largely of a generational nature. The mental health of young Americans shows a devastating trend and the average well-being and relational experience of each generation is worse than for the generation before it.

How can this be? What has changed in the life of children? Why are we bringing up generations that are increasingly less capable of living happily and of building gratifying relationships?

First of all, we need to eliminate wrong but widely accepted explanations for the distress of young people: explanations accepted by progressives and conservatives alike. American progressives blame poverty. It is true that poverty has profoundly negative effects on the well-being of children, but infantile poverty has decreased since the 1990s. So something else must explain the psychological rout of American youth, which also involves middle class children.

Conservatives point to increasing numbers of working mothers, divorce and the decline of parental authority due to an excess of liberal educational values. These explanations are also non-starters. Ample evidence shows that the incidence of mental problems in children of working mothers is no greater than that of children with mothers who do not work. As far as educational models are concerned, the children of parents who are more authoritarian have more, not less, behavioral disorders. Finally, children in trouble also abound in families that stay together.

We therefore need to search elsewhere for an explanation of the distress of young people. The basic elements of the explanation I propose are twofold. The first element is the contemporary evolution of cities, which I deal with further on. The second is the growing pressure on new generations to take on social roles as producers and consumers. This pressure is driving individuals into the consumer/producer role at an increasingly early age. The main actors in this pressure scenario are educational and formative institutions: schools, media and families.

Studies on American children and adolescents clearly document what has made them increasingly unhappy. We have transformed children into small adults and made their lives similar to ours,

especially in those aspects that make us unhappy. Children have difficult relationships that are progressively worsening. They experience growing and oppressive demands on their time and are more and more beleaguered by the media and advertising. Increased exposure to the media makes children materialistic, which harms their relationships and well-being.

Children are much more vulnerable to advertising than adults. In the words of a famous advertising professional, Nancy Shalek: "advertising at its best is making people feel that without their product, you're a loser. Kids are very sensitive to that. If you tell them to buy something, they are resistant. But if you tell them that they'll be a dork if they don't, you've got their attention. You open up emotional vulnerabilities and it's very easy to do with kids because they're the most emotionally vulnerable."

It is therefore not surprising that unhappiness and relational difficulties are connected to generational turnover. Children have become the crux of the problem, because the causes of relational and well-being problems in adults are amplified in the lives of children. The changes in the lives of children in recent decades have induced a culture that irreversibly reduces their ability to have good relationships with themselves and with others, and ultimately, to be happy.

5. Crushing the sense of possibility

In the realm of the difficult relations of children and teenagers, conflict with the adult world plays a leading role to such an extent that youth-adult opposition is now a structural feature of modernity. My argument is that this is due to cultural choices, which generate huge problems of adaptation to adulthood.

Human beings have two striking abilities with respect to animals: the ability of individual adaptation to a given environment - including economic and social environments - and the ability to transform and adapt the environment to their needs. The second ability is the “sense of possibility”, the impulse to try something out in order to improve the experience and fruits of labor, beginning with nourishment. For human beings, “the possible precedes the real”. The human mind has invented the ability to conceive change or alternatives.

The sense of possibility was a critical factor in our evolutionary success, because it made us capable of adapting the environment to our needs. It enabled us to invent technologies, institutions, rules

and social or cultural environments with the goal of improving our lives. It allowed us to plan experiences aimed at achieving easier and more enjoyable living conditions. This is our main biological peculiarity. There are other very adaptable species, such as mice and cockroaches, but none endowed with the sense of possibility.

However, the main educational institutions, families and schools, emphasize individual adaptation assuming the economic and social environment as given. They discourage the sense of possibility, the ability to adapt our environment, which instead is a human product. Other formative institutions, such as the media, concern themselves with confining the sense of possibility into the sphere of possession.

Schools are a paradigmatic example of limitation of the sense of possibility. The organization of education is based on rules that remain unchanged from primary school to Ph.D. Educational institutions promote immobility and physical segregation, subordination to a power that excludes students from any important decision that concerns them (organization of schedules, programs, space, etc.) and competition between students. In short, the school system endeavors to destroy the human ability to combine production with pleasure, participation and collaboration.

The way we educate our young people forces them to sacrifice a striking biological endowment of our species. This is why it is so difficult to become an adult, why our inter-generational relationships are so conflictual. It also explains why our education systems need to be such huge and costly machines. Crushing the sense of possibility is a tough job.

6. Lives and societies adrift

The sense of possibility is thus confined to acquisition, profit and competition. This leads to the formation of individuals lacking in critical sense and devoid of any responsibility towards their personal and social history. In fact, many people live their lives under a sense of pressure and coercion.

This is one of the bitterest disappointments of economic affluence, because such affluence promised a substantial increase in individual and social possibilities. Surprisingly, however, the perception of mastery over one’s life does not seem to be a by-product of economic prosperity or dissolution of the limitations imposed by tradition and community membership. Not many people

in the West define their lives in terms of liberty and autonomy: rather, they perceive their lives as set on a path over which they have limited control.

Is this so surprising? After all, people learn from early on that their lives *are indeed* set on a fixed course. This is why the personal liberty guaranteed by modernity, the breaking of the bonds of community and tradition, has not had a positive effect on people's perception of their liberty. It can only have a positive effect when combined with cultural choices that give value to the sense of possibility.

The social system is also perceived as ungovernable. This is one of the most surprising features of contemporary Western culture. Western culture is largely a child of the Enlightenment and therefore of the idea of progress. The most profound sense of the idea of progress is that it is possible to do something to improve things. Instead, our culture is now dominated by the perception of an inevitable social drift, for which no one is really willing to take responsibility. The rhetoric that presents globalization as an ungovernable process to which we must submit and that nobody can direct in a desirable direction is an emblematic example. Western culture has become depressed, in the sense that it is experiencing a sense of impossibility to target things towards improvement.

And yet the economic and social environment is a human product, and as such can be oriented towards well-being. Limitation of the sense of possibility produces this missing awareness. This is why we find ourselves alone, faced with the inevitability of things that we perceive as larger than ourselves and that threaten the quality of our lives and the future of our children. We relive them with bowed heads and the resignation with which peasants in rural societies endured natural disasters, epidemics, wars and the whims of the mighty.

7. Urban life

The evolution of contemporary cities plays an important role in the problems that plague the relations and well-being of adults and especially children. Today's cities have made children lonelier. All their relational possibilities depend on the decisions of their parents to a degree that was unknown up to a few decades ago. The fundamental determinant that enables children to enjoy relational autonomy is the existence of a relational fabric within walking distance, and our cities have made this impossible. The social context that children used to find just beyond their doorstep

has disappeared. Children, however, are just the main victims of urban relational discontent that actually affects everyone. How did this happen?

For about 5000 years, that is to say since cities first existed, relations stood at the center of their organization**,** with the need for maintaining a certain proportion between public and private spaces. This is why European cities expanded slowly over centuries, with new neighborhoods built around new city squares. The city square was the space for relations, a place where citizens of all ranks could meet.

In modern times, two factors arose that caused common meeting spaces of good quality to disappear. The first was a surge in the rate of urban expansion, connected to industrialization. New neighborhoods are anonymous suburbs with no urban identity, where public space has been lost to private buildings.

The second is traffic. The automobile has played a critical role in worsening the quality of public space. For millennia, cities were built for people; all streets were pedestrian. The advent of automobiles made the most human of all environments into a dangerous place for human beings. Cars kill hundreds of thousands of pedestrians in the world every year. Cars take up space, spew out pollution, occupy sidewalks, make noise and slow down buses. Cars have invaded common urban spaces with the disastrous effect of destroying the social fabric.

This destruction forces us to incur a number of expenses, such as those for raising children. The end of the time when children could run free in their neighborhoods has radically changed their way of life, making it more costly. Children spend much more time at home and when they do go out, they must be constantly supervised by adults. To what degree is the expense we incur for toys (and babysitters) aimed at providing entertainment and company for children who are increasingly alone? Similar reasons have raised the cost of caring for the elderly, since modern cities force old people into dependence and destroy their possibility of forming social relations. Urban life of this kind tends to establish a flourishing industry of solitude.

The cities we have built are a paradigm of defensive growth, because they are powerful destroyers of environmental and relational goods, and precisely for this reason, powerful producers of economic growth. In modern cities, things of quality (beautiful homes, smart nightspots, enticing shops, entertaining shows) are private and costly, whereas free common things (social climate, streets and squares) are noisy, polluted, dangerous and degraded.

One of the winners in this situation is the industry of escape. A world in which silence, clean air, a dip in a clean sea or river, or a pleasant stroll can only be enjoyed in remote places and tropical paradises is a world that tends to burn up considerable resources in order to escape from the unlivable environments it has created. In other words, it is a world in which escapism has become a need. The frontiers of this desire to escape extend far beyond the vacation industry.

The decline in the quality of common space has also created an urban leisure industry. Modern cities respond to the poverty of low-cost meeting spaces with an abundance of expensive opportunities for time off. Leisure time is the sphere in which income inequality weighs most with respect to well-being, because it has a greater impact on relational possibilities. People with a lot of money have access to the full kaleidoscope of urban entertainment, but for those with little money, television is about the only thing left. This is a formidable incentive for increasing one's income that in turn fuels economic growth.

In any case, this city model condemns wide portions of its inhabitants to the role of no-hopers. In fact, age creates inequalities in relational opportunities in cities. These inequalities do not coincide with those of income, because they strike people with less physical ability, such as children, the elderly and the disabled. This is why I define these inequalities as generational.

In many ways, decay turns us into hard-workers and enthusiastic consumers. We attempt to escape from neighborhoods with no identity and soul, which are therefore more exposed to decay, by working and producing more, by living with stress and haste, by using our cars more and more. We need money. By acting in this fashion, we contribute to the environmental and relational desert from which we are trying to escape. It is the vicious circle of defensive growth.

8. American urban sprawl

American cities, and in particular the neighborhoods built during the housing boom of the past twenty years, have followed the low-density city model, consisting of suburbs with single-family houses often surrounded by a garden. From a relational viewpoint, this model puts American cities at a disadvantage with respect to those of Europe.

The potential advantage of the historic centers of European cities is that they were designed for people, whereas low-density cities are designed for automobiles, because the distances that

separate homes from amenities, such as shops, are quite large. Many American suburbs don't even have sidewalks, witness to the fact that the streets are not for pedestrians. They are cities made up of lonely suburbs, far from theaters, museums, restaurants and downtowns. This is why cultural activities are scarce.

In this situation, malls have become the places for relations. They offer a pedestrian refuge where children are safe. Families spend their leisure time there. Yet relational opportunities are immersed in a context of incessant stimulation to possess. This leads to the exclusion of those who cannot buy.

A high-frequency public transport system in a low-density city has prohibitive costs. Low population density results in long distances and limited ridership. The scarcity of public transport particularly penalizes children, the old, young people without cars, and those who cannot afford cars. This creates an urban environment based on exclusion.

Such urban expansion has helped build the formidable appetite of the American consumer, because it created the need for costly lifestyles. A lot of money is needed to pay for leisure time, comfortable, large and accessorized homes and cars, and many other goods that have become status symbols. And also to pay lawyers, who have become an important need in an increasingly conflictual society.

9. The summer of 2007: the implosion of defensive capitalism

The global financial crisis that began in the summer of 2007 is the outcome of defensive growth. The prologue to this crisis was accumulation of immense debt by American households. They contracted this debt to finance excess consumption. Americans used mortgages and credit cards to live beyond their means. For over 20 years they bought more consumer goods and larger and nicer homes than they could afford. This debt grew unsustainably, and finally in 2008, went massively into default. Thus, the root of the crisis was the extreme drive to consume generated by American society.

The epilogue was contagion of the rest of the world. The vectors of infection were the by-now notorious toxic assets: structured assets created by securitizing the debt of American households and mixing debt with high and low default risks, so that it was impossible to distinguish the risk of default of single bonds. These bonds were sold all over the world.

When a reduction in American real estate values triggered the crisis of sub-prime mortgages the default of a few Americans exploded into the potential bankruptcy of many, with worldwide defaults of banks, more or less all holding tons of mortgage-backed toxic bonds. The consequence was a dramatic increase in inter-bank rates, followed by a credit crunch, which then led to a global recession.

The origin of all this is the solid entrenchment of defensive growth in America. The root of the Great Recession was American consumption bulimia driven by worsening relational poverty. A society that produces people who are increasingly lonely, and more and more inclined to view buying as a solution to their problems, lives systematically beyond its means, if the conditions of the credit market allow it to do so.

Chapter 4 - Cures: relational policies

The conclusion we can draw thus far is that to promote our happiness, we need to build a world that is more attentive to the relational dimension in life. This is also necessary for economic stability. Defensive growth creates huge imbalances between the satisfaction of material needs and unsatisfied relational needs. Through the credit market, these imbalances can translate into global economic imbalances that lead to profound planetary crises. This is why it is vital to bring forth a program of economic and social reforms that allows us to build a relational society. It is the antidote to defensive growth, the treatment that can cure the relational disease that defensive capitalism has generated. Here are some examples of what we can do.

1. Change our cities

My proposal is to organize relational cities. These are based on a reorganization of space and mobility. It must become possible to live travelling shorter distances and spending more time in one's neighborhood, where people move about on foot or by bicycle. The use of private cars must be cut drastically and mobility between the different neighborhoods must be ensured by public transport.

Relational cities are a crucial aspect of my proposal to give children higher priority than is currently the case, because they exemplify the close bond between space, mobility and relational experience. Children must have good quality pedestrian areas close to home and be able to reach them on their own.

These are key elements of a relational city: private cars must be drastically restricted as a structural measure, in order to encourage all residents to use public transport; population density must be high; there must be a great number of squares, parks, quality pedestrian areas, sports centers and so forth; ideal pedestrian areas are near water: coasts, lakes, rivers, streams, canals; these areas must crisscross the city to form a pedestrian and cycling network; there must be as many wide sidewalks and bicycle paths as possible.

2. Change urban space

High quality public pedestrian areas, parks, squares, sports centers and the like are not luxuries, but a basic need, like schools and hospitals. Their contribution to the quality of life can be greater than that of an increase in individual consumption, since we need to be able to walk and be among people in order to be happy.

Public space should provide the pedestrian protection offered by malls but in the open, replacing commercial pressure with open sky, trees, birds, park benches and social inclusion. Cities must be crisscrossed by a network of pedestrian areas that can offer opportunities for well-being and low-cost mobility. Some pedestrian areas do not even require any public expenditure: Sunday traffic bans are all that is required.

The issue of access to space has always been crucial in human history. Urban society raises this concern in a different context to rural societies, where the problem was access to agricultural land for peasants. Land was contended between large landowners and poor peasants. In urban societies, however, the issue is access to public space and the conflict is between pedestrians and automobiles.

3. Reduce traffic

The sole solution to the problem of reconciling mobility and urban livability is a public mass transportation system that must be used by rich and poor residents alike. Cars should be severely restricted. This is all the more necessary in European cities, which were largely designed for people and not for cars. The goal must be to offer decent public transport at a reasonable cost to the entire population.

Instead, the tendency over the past few decades has been to try to solve traffic problems by building more road infrastructure. This is a reaction akin to coping with a fat belly by loosening one's belt. Building more infrastructure for traffic only generates more traffic, which brings us back to the starting point.

Many cities have also often chosen the solution of increasing the costs of using a car, for example, by increasing the risk of costly fines, by making parking very expensive or by introducing fees for

accessing congested areas. In this way, the right to mobility is out for sale, excluding those who cannot afford it. This choice has negative consequences for social cohesion in the long run.

There is a very close connection between mobility and social inclusion. It is no coincidence that more than 30% of the population in countries like Holland or Denmark, where the winters are very harsh but egalitarianism quite strong, moves around by bicycle. The building of quality cycling paths can be a much more tangible sign of democracy than many other initiatives.

4. Change our schools

What do we learn at school? Today's schools teach a variety of subjects. Yet they impart this learning by inflicting an unnecessary amount of stress and by destroying important forms of intelligence, because this type of education is based on three misconceptions.

The first is an inability to comprehend the fact that the classroom is not the only place for learning. This generates a model of increasing segregation in which studying and going to school take up most of youngsters' time. Yet, most things are learned outside the classroom, often quite casually or as a side-effect of some other experience, such as social relations or trips. School takes up too much time. It takes time away from other experiences that are fundamental in the formation of an individual.

The second misconception is an exclusive concentration on 'results', which implies the destruction of other forms of learning. Concentrating solely on testing destroys other basic elements of the learning process: original and critical thought, experimentation, innovation. Last but not least, it destroys the sense of possibility. The haste generated by extensive programs and pressing deadlines has a similar destructive effect on the capacity for critical thought.

We should be promoting creative learning and this requires a variety of opportunities for expressing one's abilities and skills. Creative learning also requires creative teaching, but teachers are undervalued with respect to their social function and have to meet centralized targets that undermine their curiosity and imagination.

We are promoting cognitive intelligence alone, while destroying other forms of learning. Other types of intelligence that we should encourage are: relational, musical, spatial, physical, emotional and

social. It is therefore necessary to increase opportunities for sport, art, games, creativity and relations.

The relational message of schools is competition and hierarchy: competitive relations between students and subordination to teachers, who hold the secrets of performance. For students, education is what others have decided and it cannot be modified, at least with respect to their needs. Likewise, the current doctrine of individual results promotes only competitive relations among students. Schools do not allow any room for a sense of relational possibility. An increase in group work and grades is needed to promote cooperative relations. We should also allow students to develop their inclinations for adapting the social and institutional environment to their needs.

The third misconception is a failure to comprehend that learning works much better when it is associated with positive emotions. Cognitive activities require the active role of emotions, which is quite apparent when children learn through play.

The proposal for reconciling learning and well-being is generally countered with the objection that many subjects have a high technical content, which makes their assimilation boring and requires the incentives of sticks and carrots. The problem of technical content is obviously a central issue in most fields of learning. For example, speaking foreign languages and playing music both require a lot of “grammar”. But the idea that technical content should be taught by hammering in technical content was abandoned decades ago in these subjects. Foreign languages are no longer taught starting with grammar; music is no longer taught by months of boring sol-fa. The technical element is taught jointly with the more “interesting” aspects of the subject. Yet schools still seem unable to acknowledge a fact that has been perfectly understood by people who sell learning courses.

The exclusion of enjoyment from the educational curriculum has severe consequences as regards materialism. Students are not called on to study because studying is interesting per se, but because education increases the possibilities of finding a good job and keeping the bogeyman of social exclusion at bay. In this fashion, schools imply that the motivation for study is instrumental. They suggest that what matters in life are extrinsic motivations. Ultimately, the message that our schools impart is analogous to that of advertising. Money and social inclusion are what counts; these are the keys to a good life.

We should be teaching quite the opposite. We need to combine enjoyment and production, to impart an active attitude with regard to our education and towards those in power, to be masters

of ourselves and our time, to be profound and creative, to include and cooperate. Instead, we are educated to be bored, to passively follow the whims of “superiors”, to be in conflict with ourselves and our time, to be superficial and uncritical, to exclude and compete.

In short, we should be developing a sense of possibility and instead we are suffocating it. Today’s school has the function of reproducing the status quo, when it should function as an engine for change. With this aim in mind, we need to redesign our school system from the ground up: teaching methods, educational programs, management practices, architecture, organization of space.

Mass schooling was shaped by the culture of stress. This culture, which associates production and stress much like a Pavlovian reflex, has generated the keywords of today’s schools: cognitive education, segregation, increasing workload, competitive or obedient relationships. These elements turn out individuals who are increasingly second-rate, passive, disinterested, uncritical, uncooperative, resigned or rebellious. The educational choices at the root of these outcomes are based on ideas of the past century, which was dominated by the enormous need of industrializing societies for social control. In fact, two of the key aspects of education, i.e. boredom and obedience, are basic requirements for workers in large factories.

This type of education is anachronistic and not only produces human but also productive debris. Advanced economies are now in a post-industrial phase, in which the success of countries and individuals is no longer determined by the discipline of the workforce, but rather its creativity, flexibility and problem-solving capacity. Some northern European countries have understood this and reorganized their educational system accordingly, gaining competitive advantage in the quality of their workforce.

5. Reduce advertising

The negative effect of advertising on the well-being of adults, and especially on the well-being of children, motivates my proposal to ban advertising targeted at children and to heavily tax advertising targeting adults. These measures should be applied in particular to the more pernicious and invasive types of advertising, such as television ads. The goal of this taxation is to make advertising more expensive for companies, so as to induce them to reduce the barrage they inflict on us. The ensuing tax revenues could be used to finance relational policies. I also propose

regulations to limit the intrusiveness of advertising in certain spheres of life, such as those concerning friendship and relationships in general.

Some countries have applied similar restrictions. Sweden, for example, has banned television advertising aimed at children under 12. However, in most Western countries, these measures find little or no room in the political agenda. How can this be? The shameless inconsistency of the arguments raised in defense of advertising – discussed in the fourth part – make it clear that the answer does not lie in any problem with limiting advertising. The answer lies elsewhere.

6. Change democracy

The answer must be sought in "post-democracy". Colin Crouch uses this term to indicate present-day democracy characterized by the growing influence of economic elites in political decision-making. Decisions are mostly based on an interaction between elected politicians and private factions that represent almost exclusively economic interests, whereas most people's opportunities for participating in the definition of public choices – not only by voting but also through debate and independent organizations – are increasingly reduced.

Post-democracy is not democracy, in the sense that is has rolled back the exercise of political power to a pre-democratic level, when this was the prerogative of closed elites. The role of the citizen amounts to being summoned to vote by unrelenting campaigns, managed by communications professionals who channel the public debate into a very limited number of predetermined issues. Beyond these electoral rituals, citizens are expected to play a passive, acquiescent, apathetic role.

Predictably, post-democracy produces feelings of exclusion, disappointment and helplessness that further entrench the current crisis of politics with regard to the citizenry's stance on participation, legitimacy and trust.

The policy decisions are not intended to protect the vast and dispersed interests of the many, but rather to protect the strong and concentrated economic interests of the few. Post-democracy is the main reason why moves such as banning advertising that targets children have no priority in political agendas. Such action would strike a blow to the powerful interests of the advertising industry and multinational corporations – the prime purchasers of advertisements – to the great benefit of our

children's well-being. Broadly speaking, post-democracy is the main obstacle to the implementation of relational policies.

Post-democracy is a mainstay of the institutions of defensive capitalism. It encourages us to expend our efforts in trying to make money instead of attempting to build a more livable world, even if what we really need is a more livable world and not more economic prosperity. The problem is that our only chance of building a more livable world is to act collectively. Politics is the most important form of collective action, but post-democracy is the failure of politics to stand for the interests of common people, namely a more livable society. Politics has instead been surrendered to the sole interest of private large profits, which often thrive on the shambles of collective livability.

Thus post-democracy discourages collective action aimed at creating a more livable world. All that remains for us is to make money. Since our world is in dire straits, let us at least try to make it as individuals. In this way, post-democracy fuels the race for money.

How can it be that a system, invented to enable the participation of common people in the affairs of state, has evolved to exclude them? The answer is money. Political parties and candidates need large amounts of money, mostly because the costs of electoral campaigns have mushroomed out of control in Western countries. Corporations are first-rate financial sources. This makes political parties very attentive to the interests of big business.

Democracy must be changed. An appropriate combination of public financing of political parties, regulating their access to the media and setting low limits on their spending could give good results. Public financing is necessary to reduce the dependence of political parties on big business. Limiting their spending and regulating their use of the media have similar goals: to reduce the money involved in political campaigning. For example, in many countries, the main expenditures of political parties are for television advertisements during electoral campaigns. Television campaigning could be banned.

7. Change the work experience

Job satisfaction has not increased in the United States over the past 30 years, despite a significant increase in wages. This problem concerns the entire Western world. Economic growth's promise to free us from the curse of work has not been kept. All surveys show that the working experience is

generally associated with feelings of pressure, coercion, fatigue, disengagement and stress. How is this possible?

A vast body of research on the determinants of job satisfaction provides many indications. These studies confirm that relational needs are crucially important. The quality of relations with colleagues is critical when it comes to satisfaction on the job. The latter increases with increasing trust among work-mates and when relations with bosses are perceived as based on respect, cooperation and support. The most satisfying jobs are those where the communication style of managers is based on these criteria and where interpersonal contacts are more frequent.

Satisfaction also increases with a sense of control over one's work, with opportunities to express one's skills and with the diversity of the work tasks. This suggests that needs such as autonomy and self-expression also matter in the workplace, while well-being on the job suffers with everything that produces stress and overload.

What should we do? Work needs to be more interesting and less stressful. It must be perceived as having a sense and as a means for building relations and social contacts. There are at least five methods for achieving these results.

1) Redesign the content of work processes to make them more interesting. For example, job rotation and redesign have given good results.

2) Relax hierarchies: increase the discretionary power and autonomy of workers.

3) Reduce everything that generates stress: pressure, controls, incentives.

4) Improve the work-life balance. Examples include: facilitating work at home; promoting child-care facilities near the workplace; increasing parental and elder-care leave; patterns of breaks from work for educational or leisure activities; flexible working hours.

5) Improve relational experiences on the job. The problem here is that corporate culture is still largely unaware of the importance of relational quality in the workplace. Managerial training is not yet fully conscious of the importance of the communication style of executives, of proper appreciation of the work of others, of relations based on respect.

8. Less stressed and less performing?

Instead of following these guidelines, the West took off in the opposite direction. Since the 1980s, a flood of organizational changes first hit American companies and then those in other Western countries. Such changes generally resulted in an increase in pressure, controls, competition, human conflicts, as well as symbolic and material sticks and carrots.

These restructurings obey a prevailing conviction among economists that stressful jobs are the price we have to pay for economic prosperity. In essence, relaxing pressure in the workplace would induce workers to slack off, ultimately making all of us poorer. The recipe for efficiency on the job is to squeeze workers.

Studies on the relationship between job satisfaction and productivity belie this conviction. Satisfied workers are more, not less, productive; unhappy people work poorly. The fact that too much pressure does not improve efficiency is further confirmed by studies on motivations and work performance. A large body of experiments and case studies indicate that monetary incentives and controls significantly crowd out intrinsic motivations, assuming the tasks have at least some interest. What happens is that workers under pressure tend to perform better at tasks that are monitored, measured and motivated by incentives, and worse at tasks that are not. The pressure of extrinsic motivations on certain aspects of performance destroys the sense of responsibility regarding other aspects. In conclusion, relying solely on extrinsic motivations in the workplace tends to work well under two conditions: when all significant aspects of performance on the job can be measured and when the work is so completely uninteresting as to entail the practical absence of intrinsic motivations.

The problem is that difficulties in measuring performance are the rule and not the exception in human labor, which is generally a complex multi-faceted activity, many of the features of which cannot be easily measured. In addition, research indicates that jobs generally have an intrinsically motivating content, at least in part, even jobs that are apparently wholly uninteresting. Thus the efficiency of human resources can be entrusted to controls and incentives alone only in special cases.

The message of this analysis is not that it is possible to build an economy completely devoid of extrinsic motivations. Incentives are important and the prosperity of economies that rely on them is witness to this fact. However, it is an illusion to believe – as has occurred in economic theory and

practice in the last 40 years – that work performance can be promoted exclusively through incentives. In most jobs, nothing can completely replace intrinsic motivations, such as professional ethics, sense of responsibility, awareness of one's role.

No economic system can function by appealing solely to extrinsic motivations. Not even capitalism. To work effectively, it is important to feel that one is treated equitably, to be acknowledged for one's skills, to believe that one's sense of fairness is respected, that what one does will further personal growth, that one is considered trustworthy, and that it is possible to trust one's work-mates.

9. Change healthcare

How do we improve people's health? The spontaneous answer of most people would be that how much a country spends on healthcare is what matters most. Greater spending on healthcare buys greater health. this is at odds with the evidence. If we compare rich countries, we find no relationship between healthcare expenditures and people's health. For example, the United States has one of the lowest life expectancies among rich countries, but a much higher per-capita healthcare expenditure than any other nation.

Why does a country that offers its citizens first-rate healthcare not necessarily achieve better health outcomes than countries with lower quality healthcare? Epidemiologists offer a clear answer to this query. Healthcare expenditure is only one of the elements that influence health and longevity**.** Abundant research indicates that happiness plays a dominant role in the health of individuals and populations. Epidemiologists are also perfectly aware of the link between relationships and well-being. Health, mortality and life expectancy are strongly correlated with relational experience. Having friends, loving relationships, trust in others, support and social integration and a role in groups and associations all protect the health of individuals and populations.

This suggests that rich societies over-spend in treating diseases as the price for under-spending for disease prevention. The most important kind of prevention takes place outside healthcare systems and is achieved by promoting relationships. The positive effects of effective healthcare can be thwarted by relational starvation.

Healthcare systems are the end stations of this malaise, which translates into health problems and pressure on healthcare systems. Healthcare expenditure is therefore not only the method we use to defend ourselves from sickness, but it is also one of the remedies we apply to the damage done by relational poverty. It is one of the many ways in which the malaise fuels the economy, driving expenditure that leads to growth in GDP.

Relational poverty is a social construct. This suggests that we spend too much on healthcare and that we could obtain far better health outcomes and spend less if we improved relations, including fundamental ones such as those between medical personnel and patients.

10. Conclusion: State, market, relations

In the picture of relational sickness that I have described, the United States is the sickest patient in the West, because across the past few decades its socio-economic organization, culture and educational institutions have been oriented towards levels of competition and possession never experienced before in the United States or elsewhere. Americans are also subjected to an unparalleled media and advertising barrage. US per capita advertising expenditure is four times the European average.

Due to these changes, markets occupy more space in the US than in other Western countries. In fact, market mechanisms have penetrated spheres of social life that were previously regulated in other ways. The private sector has conquered new ground in healthcare, education and pensions. The labor market has become the most flexible in the industrialized world. The freedom to fire has become practically complete and unemployment subsidies have been reduced. When the market penetrates all aspects of social life, its materialism-promoting effect is amplified to its maximum extent.

The European situation is better, but we should be wary of exaggerating these differences and praising European trends. The increase in happiness and relational goods in Europe is small, as is the reduction in working hours, which indeed seems to have halted since the 1980s. In short, Europeans are not using their economic prosperity to promote what truly matters: happiness, relations and time. They are not immune to the American disease. They are not as seriously ill, but they will not escape if they continue to ape America.

Although I have identified the negative relational impact of competition as a main cause of this disease, the proposed treatment is not intended to overturn the market economy. My proposal is to use the market wisely, differently from the way we are currently using it.

To use it wisely means, first of all, to understand that there are sectors that produce goods that are important for the quality of relations. It is important that these sectors operate under highly competitive conditions. For example, competition has proven to be an effective way of contributing to relational quality in urban organization. A high level of competition is generally desirable for access to goods and services such as taxis, shops, restaurants, bars and the like.

From this point of view, European cities are not a good example. Many European cities limit the number of taxi licenses, leading to higher prices that restrict people's access to a means of transport that reduces parking congestion. A similar example concerns bars, cafes, restaurants and shops. A large number and wide variety of such businesses is vital for the liveliness and livability of a city. Many European cities – where these licenses have historically been restricted in various ways – are an example of the negative social impact of limitations to competition in these sectors.

Generally speaking, the market has proven to be a formidable instrument for generating economic prosperity, which can have a positive impact on our well-being and relations. It can, but this does not necessarily mean that it always does. Its positive effect depends on what generates it and how it is used. There is no positive effect if economic affluence is generated by private attempts to defend oneself from common poverty. There is a positive impact if we use economic prosperity to encourage rather than to hinder relations.

Wise use of the market also means understanding that there are spheres of social life in which it should only be introduced in a limited way: pensions, healthcare and education. The American experience over the past thirty years suggests that the penetration of market mechanisms into these sectors condemns a vast portion of the middle class to precariousness. The complete freedom of United States businesses to fire workers has also promoted a state of collective insecurity.

Wise use of the market also implies understanding the effect of competition on our culture. Competition induces us to think of ourselves and of others in ways that do not favor good relations with ourselves and with others. This effect of competition is amplified by the formative institutions typical of a market economy, such as the media. The current approach of the school system amplifies these effects as well.

Instead, we need to protect our thinking from the obsessions of competition and possession and pay particular attention to protecting our young people. In an economy where markets play an extensive role, this means endowing individuals with a sense of possibility, with a sense of control over their time, with the capacity to understand their own needs and with the ability to listen to others. Today's schools and the media do exactly the opposite.

A change in social organization can do much to improve the quality of relations. The model I propose is based on public pensions, schools and healthcare, on adequate protection of jobs, on rigorous policies of environmental protection and different organization of the school system, healthcare, the media, cities, work and democracy. And, of course, on a different culture.

The economic and political debate of the 1900s was centered on the conflict between state and market. Different opinions on which of the two could best organize economic activity, and on the best mix of the two, fought for consensus. This contest seems to have ended towards the end of the century with the victory of the market. The currently prevailing idea is that competition is the most desirable way of organizing social life. In other words, competition is desirable in all spheres of social life, wherever it is possible.

In light of my theses, both the contraposition between state and market and its current conclusion seem misleading. The contraposition is misleading because the fundamental component of well-being is provided neither by the state nor by the market, but by networks of social relations. These networks are important for well-being because they have a direct impact on it and because they facilitate cooperation among individuals for economic purposes.

We have had too much state, too much market and too little sociability. A profusion of contributions from various fields of social science indicate that there is an alternative to the historical public-private dilemma and that this alternative is the social sphere. The 2009 Nobel Prize for Economics was awarded to Elinor Ostrom for research that showed that starting from the bottom is a credible alternative. Similarly, the success of micro-credit activities in poor countries is a further example of the potential of empowering people.

The important point is that both the state and the market can either promote or hinder the formation and sustainability of relational networks. Their impact on relations depends on how state and market are used and the selected mix.

The prevailing opinion that competition is desirable in all possible situations is misleading because the market is a form of economic organization that combines enormous potential for productive development with great risks. Risks for environmental sustainability have been the core of ecological critique of the market economy, however the risks for relational sustainability emphasized in this book are no less great.

In contrast, the cultural climate of recent decades has propagated a mystique of the market: a thing is good simply because it is produced and traded. This indicates that our culture is in a primitive phase of learning to use markets. This is a naïve viewpoint because it disregards the fact that certain needs cannot be satisfied by commodities, some commodities are poor substitutes for goods that cannot be marketed, and competition has a profound influence on our values and relations. The market mystique does a great disservice to the market system, because it loads it with tasks and responsibilities that it cannot handle. The market is a good idea in many cases, as long as society is able to control its tendency to invade every sphere of life, including politics, the natural environment, our relations, our minds, and particularly those of our children.

11. Some objections

11.1. A relational society is utopian

One objection to my project for a relational society has been that even if we concede its desirability, a relational society is unfeasible: it is a utopian project.

This is an unfounded objection because every one of the proposals I advance has been implemented in some part of the world and they work well. In this book, I provide many concrete examples of these implementations, drawn from the organization of work in firms, from educational and healthcare systems, urban policies and various aspects of economic life.

These examples are part of a global trend that is shifting society in a relational sense. They are all unknowing pieces of a puzzle that represents a global movement springing from a concrete search for solutions to actual problems, from perception of the possibility of specific and tangible changes. These pieces share the same principles of relational progress and the humanization of society, yet they are still largely unaware of being part of a comprehensive project because a culture that is capable of bringing this project to the fore is only just emerging.

This project is by no means utopian. The belief that things can continue as they are and that a society that ignores relations can generate progress, quality of life, economic stability and well-being, is indeed utopian. I have provided vast scale examples of the disasters produced by such utopia, in first place in the United States.

11.2. A relational society creates unemployment

A second objection is that the price to pay for a relational society is higher unemployment. Even conceding that a society with less consumption and more relations is desirable from many points of view, it is not so from that of employment. Any social alternative that leads to a reduction in consumption will in fact produce an increase in unemployment, the objection goes.

This objection is based on the traditional view of consumerism as a positive factor for employment: more consumption means more sales for businesses and therefore more jobs. But this argument can be reversed: consumerism can generate more unemployed people than a relational society.

The unemployed are those looking for a job but who cannot find one. Their number therefore depends on two other numbers: the number of people who are looking for a job and the number of existing jobs. Unemployment can decline if there is an increase in the number of jobs and/or a decrease in the number of people looking for a job.

The problem is: how important is the need to achieve a certain standard of consumption in a household's decision regarding how much work to look for and accept? The likely answer is quite a lot. A household's decision concerning how many family members need a job and whether it should be full or part-time is conditioned by its spending requirements. The downside of a world of people who want to consume a lot is a world of people who have to work a lot.

This is why favoring consumption as a means for alleviating unemployment does not work. It bets everything on an increase in the number of jobs, ignoring the fact that consumerism also has a negative effect on unemployment: it increases the number of people who are looking for a job and the number of hours these people are willing to work. Consumerism creates a need for money. While it *does* increase the number of jobs, it also increases the necessity to work.

A possible cure for unemployment is therefore to promote lifestyles involving less need to work. This means a transition from an economy based on the promotion of market needs to one based on

containing market needs and promoting non-market needs. The aim is to create lives that in order to be worth living, need less money, instead of more money.

To further this aim, we need to break the vicious circle of working and spending. A relational society achieves this aim on one hand by reversing the decay that forces us to spend as a defense against decay itself, and on the other by building a culture that allows us to overcome the illusion that buying is the solution to most of our problems.

PART TWO. America the example not to follow

Chapter 5 - Why Americans are increasingly unhappy and overworked

1. Basic concepts and measures

1.1. Measures of happiness

First let me clarify two key concepts and their measures used in this book: happiness and economic growth. I use the term happiness interchangeably with well-being. The scientific literature uses two types of measures of well-being: subjective and objective. Sources of subjective well-being are more frequently used and more abundant than objective sources. Subjective well-being data is collected through surveys that ask people questions such as: "Taking all things together, would you say you are: 1 Very happy, 2 Quite happy, 3 Not very happy, 4 Not at all happy". In many surveys, the question on happiness is replaced or complemented by a question on life satisfaction, i.e. the degree of satisfaction of an individual with her/his life. This alternative does not produce substantial differences in the results.

Subjective well-being data is so popular and abundant because it has low collection costs and good reliability. Its reliability has been checked by many studies that investigate the correlation between subjective and objective measures of happiness available at individual level. The following measures were used:

- the duration and number of authentic smiles, so-called Duchenne smiles, identified by activation of certain facial muscles, namely the zygomaticus major muscle (which raises the corners of the mouth) and the orbicularis oculi muscle (which raises the cheeks and forms crow's feet around the outer corners of the eyes). Humans perceive these smiles as genuine;
- the response of blood pressure and heart rate to stress;
- psychosomatic illnesses such as headaches and digestive problems;
- the response of skin resistance to stress;
- electroencephalograms of pre-frontal brain activity.

Subjective well-being data correlates well with these objective measures. Individuals who report being happy or satisfied with their lives exhibit more and longer authentic smiles, better cardio-vascular conditions, fewer psychosomatic illnesses and increased brain activity related to positive emotions.

In other words, subjective data on well-being reflects real physiological states and are not 'reality-free'. Checks on the correlation between individuals subjective well-being and other subjective measures – such as evaluation of a person's happiness by friends, clinical psychologists, spouse or other family members – have also been performed. The correlation is high in this case as well, confirming the reliability of self-assessment of happiness.

Beyond subjective data, the second widely used data on a community or a nation's happiness is so-called objective data, like suicide, alcoholism, drug abuse, mental illness, psychiatric drug use and hypertension. The results do not vary substantially when switching from subjective to objective measures. Just to give an idea, Oswald and Blanchflower (2008) show that the happiest countries in Europe have lower hypertension levels. Clinicians believe that happiness and high blood pressure are inversely correlated. Helliwell (2007) documents that countries where people are less satisfied with their lives have higher suicide rates. He also documents that the determinants of international differences in suicide rates are very similar to the determinants of international differences in life satisfaction.

1.2. Measures of growth

The concept of economic growth refers to the long run increase in real per-capita income, i.e. the increase in average purchasing power. Its statistical substance is the increase in per-capita Gross Domestic Product (GDP), which measures what passes through the market, i.e. things that have a price and are bought and sold.

GDP overlooks non-market activities. This is a key point because I argue that growth can fail to create well-being because it can be associated with the deterioration of things that, although not commercialized, are important for well-being. In addition, GDP disregards other important components of well-being, such as how long and hard people work.

2. Americans have become less happy

The United States is an extreme case of the happiness paradox, in the sense that happiness has remained unchanged or increased slightly in the past few decades in most Western countries, whereas it has decreased in the US.

2.1 Subjective well-being

Figure 5.1 illustrates the core of the happiness paradox, also called the Easterlin paradox (named after the economist who first formulated it). Figure 5.1 compares US per-capita GDP and the percentage of individuals claiming to be very happy in the period 1946-1996. While GDP rose sharply, the share of very happy individuals has decreased substantially since the mid-1950s. The question raised by this kind of graph is: why do people feel worse in a more affluent society?

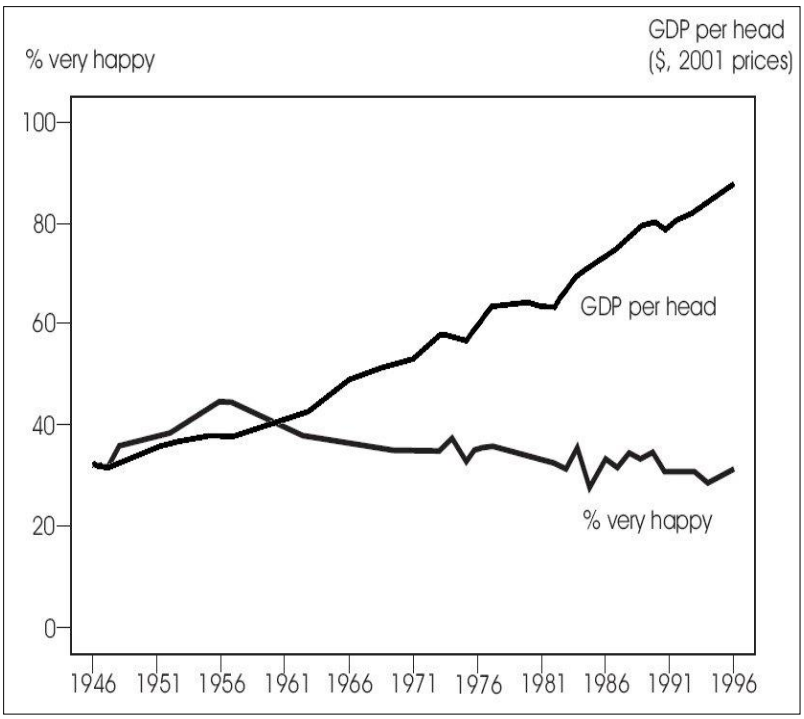

Figure 5. 1. Per capita GDP and happiness in the US (1946-1996).

2.2. Objective well-being

The picture emerging from objective data on well-being, like the spread of psychiatric drugs, mental illness, suicides and addictions, is even worse than that depicted by subjective data (Diener and Seligman 2004, Wilkinson and Pickett 2009, Twenge 2000). The use of psychiatric drugs rose so much that it turned the US into a “sedated society” (Davies 2017). Prescriptions for antidepressants,

stimulants, antipsychotics, mood stabilizers and anxiolytics soared, bringing the share of the psychiatrically medicated adult population to 20%. Great Britain, where this share is 15%, is not doing much better (Davies 2017).

This flood of psychiatric drugs in the US is a result of an upsurge in mental illnesses. Twenge et al. (2010) assessed the evolution of mental illness using a survey administered to high school and college students since the 1930s. The survey included many questions regarding symptoms of depressions and anxiety. The authors found that depression and anxiety rose significantly in the period 1938-2007 in the US. Another survey shows that between 1982 and 2013, symptoms of depression and anxiety rose significantly in a nationally representative sample of US 12th graders (Twenge 2013).

Evidence suggests that mental illnesses began to soar in the 1980s. Using measures of anxiety dating back to (and unchanged since) the 1950s, Twenge (2000) showed that normal American kids and teens in the 1980s scored as high on the anxiety scale as children in psychiatric care in the 1950s. In the 1990s the situation had already become critical. Psychiatric interviews conducted on a national sample of American adults showed that almost 50% experienced at least one mental disorder in the course of their lives and about 30% experienced one in the last year (Kessler et al., 1994). A staggering 18.2% experienced mental disorders in the last month (Kessler and Frank, 1997). The situation did not seem much better in other countries. Jenkins et al. (1997) show that 16% of a national sample of young British adults suffered a neurotic disorder in the past week. In Ireland, 2.4% of the population experienced clinical depression in the last month, and 12.2% in the last 12 months (McConnell et al., 2002). A vast international study on depression conducted on a sample of 40,000 individuals in the US, Puerto Rico, Germany, Italy, France, Lebanon, New Zealand and Taiwan shows that the risk of depression grew enormously in the twentieth century (Cross National Collaborative Group 1992).

The method used in these studies, i.e. the diagnostic interview, seems to solve the main problem involved in assessing the evolution of depression over time, namely changes in its diagnostic criteria and perception. In fact, researchers did not ask: “Have you ever been depressed?” but questions such as whether respondents have trouble falling asleep, whether they feel well-rested when they wake up, whether they have trouble thinking, whether they have experienced dizzy spells, headaches, shortness of breath, a racing heart, or whether they have ever cried every day for two weeks or tried to kill themselves.

Now let us look at addictions. American society has been struck by an epidemic of addictions, in particular abuse of opioids. Of the 20.5 million Americans aged 12 or older who had a substance use disorder in 2015, the substance was prescription opioids in 2 million cases and heroin in 591,000 cases (ASAM 2016, Center for Behavioral Health Statistics and Quality 2016). Deaths from overdose tripled since the start of the millennium, reaching 60,000 in 2016, more than the total number of soldiers killed in the war in Vietnam. I return in more detail to the opioid crisis in Chapters 6 and 17.

As far as suicides are concerned, in the period 1999-2014, the age-adjusted suicide rate in the United States increased by 24%. Suicide rates increased for males and females and for all ages from 10 to 74 years. A total of 42,773 people died from suicide in 2014, compared to 29,199 in 1999. The rise was particularly steep for women. The suicide rate tripled among girls 10 to 14 years of age (Curtin et al. 2016).

In conclusion, both subjective and objective happiness data paints a gloomy picture of the trend of happiness in the US. In the next chapter I show that happiness data from Europe, although not comforting, is less disquieting than the American data.

3. Americans have become overworked

Juliet Schor's book *The Overworked American*, which documented that Americans' working hours increased by an extra month yearly (160 hours) over the past few decades, triggered a heated debate that ultimately confirmed this increase. This evidence raises a question. Why do individuals work more in a society that grows increasingly affluent?

A greater availability of free time has always been a promise of economic growth. In the 1930s, Keynes predicted that by 2030 the average working week in Britain would amount to only fifteen hours. 2030 is not so far away and no one would dare make such a prediction today. Since the Industrial Revolution, the expectation of a substantial increase in leisure time has spanned the whole history of the western world. It was expected that increasing affluence would reduce the pressure of economic needs on people's time. As a result, people would end up spending less time working during their lifetime. This expectation stayed alive well into the 1970s, a decade in which debates on the problems of the forthcoming "leisure time society" abounded, and then it disappeared without leaving a trace.

The US data explains why this expectation disappeared: leisure time stopped increasing. The initial promise of industrialism, namely that it would progressively free humankind from a life of drudgery, seems broken. In advanced societies, work continues to take up most of people's vital energies. Most westerners live fast-paced, indeed, frenetic lives. Yet, America offers us an extreme version of the problem. As I will show later, European countries are in a better situation; they have shorter working hours that show a slightly decreasing trend.

This situation raises the following questions. Why is it that "industrialism has the tendency to produce goods rather than leisure time" (Cross, 1993, p. 7)? What are the reasons for the failure of growth to maintain its promise to increase leisure time? Why is 'time pressure' a typical problem of contemporary society? Why do advanced societies experience a "famine of time amidst abundance"? Why have new categories of social distress such as 'time-poor' individuals appeared? What motivates people to work so hard in economies that grow increasingly richer? What prevents people from enjoying life more by working less in economies that have accumulated enormous wealth and huge productive potential?

4. Why do Americans strive so much for money if it does not buy them happiness?

The coexistence of decreasing happiness and longer work hours is paradoxical: why do Americans work more if more money does not bring them greater happiness? Any answer to this question cannot be based on individual preferences, which is the instinctive explanation of many economists to these two trends, considered separately. They explain the happiness paradox by the fact that money becomes relatively unimportant for happiness in a rich society or, in economic terms, with the decreasing marginal utility of income. This implies that faced with a long-term increase in income, individuals substantially reduce their principal effort to earn money, namely their work. Yet this is counterfactual.[1] Conversely, they explain the increase in working hours by the fact that individuals are very interested in money and much less in leisure. This, however, implies that a

[1] In economic terminology: in the presence of a weak preference for income relative to leisure time, one would expect individuals to allocate a long-term increase in productivity to substantially increase leisure rather than output. The evidence, however, shows the opposite. Over time, industrial economies allocated a far larger portion of the long-term increase in productivity to increasing output rather than leisure.

prolonged increase in income should have a sizable positive impact on well-being. This too is counterfactual.

Thus individual preferences do not explain the two trends and the explanations are mutually exclusive. A different approach is needed.

5. Happiness and relational poverty

A study conducted by Ennio Bilancini, Maurizio Pugno and myself shows that the American decline in average happiness can be explained by the increase in relational poverty, i.e. by worsening of relationships between Americans. Loneliness, interpersonal conflict, fear, a feeling of isolation, mistrust, unstable families, generation gaps, all these negative aspects have increased, whereas positive factors such as solidarity, honesty, social and civic participation have all decreased. Our data, which covers a 30-year period from 1975 to 2004, is retrieved from the General Social Survey, the major long-standing survey data source on American socio-economic phenomena. The General Social Survey makes it possible to assess the evolution of relationships between Americans because it provides time series from representative samples of the American population regarding trust in others, honesty, solidarity, social contact with friends, relatives and neighbors, and a broad range of associational activities, as well as on income and happiness. This database also provides information on respondents' confidence in all the major institutions of American society.

Our study shows that four forces drove the happiness of the average American in opposite directions. The first is growth: the rising trend of per-capita income had a positive influence on happiness. The other three forces affected happiness negatively.

The first negative influence is the decline in relational goods. The concept of relational goods was introduced in economic studies to indicate the quality and quantity of individuals' relational experiences.[2] Relational goods are a component of a broader concept widely used in social sciences, namely social capital. The latter refers to all types of non-market relationships between individuals

[2] Studies on relational goods, a concept introduced by Gui (1987) and Ulhaner (1989), were developed mostly by a group of Italian economists. See Bruni 2005; Bruni and Stanca 2008; Bruni and Zamagni 2007; Bruni and Porta 2007; Gui and Sugden 2005; Pugno 2004; Becchetti, Pelloni, Rossetti 2008; Bartolini 2007; Bartolini, Bilancini and Pugno 2013; Antoci, Sacco and Vanin 2005.

and between individuals and institutions. Besides relational goods, social capital also includes confidence in institutions and voter turnout.

In the past few decades, the trend of American social capital has been at the center of a heated debate, launched by Robert Putnam's book, *Bowling Alone.* Putnam argued that America's social capital declined since the 1960s and that this trend not only threatens the long-term cohesion of American society but the very stability of its democracy as well.

Loneliness has become a mass problem in the US. In 2004 a quarter of Americans reported that they had no one with whom they could discuss important matters. This share was 10% in 1985. If family members are not counted, this share amounted to more than half the American population in 2004 (36% in 1985). The number of persons the average American shares confidences with dropped by one third (from nearly 3 persons in 1985 to about 2 in 2004) (McPhearson et al. 2014). One out of three Americans are lonely, up from one out of five in 1980 (Knowledge Networks 2010). For as many as 15–30% of the general population, loneliness has become a chronic state (Heinrich and Gullone 2006, Theeke 2009). According to data from the Census Bureau, "unrelated individuals" (those who do not live in a family group) increased from 6% in 1960 to 16% in 2000 (Shaw Crouse 2001).

As for trust, from the early 1970s to the 2010s the share of the working age population responding that most people can be trusted fell from 50% to nearly 30% (Gould and Hijzen 2016). Solidarity, honesty and associational activity have sharply declined since the 1970s (Putnam 2000, Bartolini et al. 2013). Families have become increasingly unstable. Americans marry less, divorce more, live together less and separate more frequently than in the 1970s (Bartolini et al. 2013).

In our study, all these measures of relational goods are positively correlated with happiness and their decline largely predicts the decline in happiness observed in the US over thirty years. The effort of Americans to attain happiness through greater economic prosperity were thwarted by the deterioration of relationships.

The second force affecting happiness negatively is the decline in another component of social capital: confidence in institutions. Trust in the main American institutions, such as government, Congress, banks, corporations, unions, the press, television, religious organizations, educational system, science and medicine, has decreased. The only exceptions are confidence in the Supreme

Court (stable) and in the Armed Forces (increasing). Americans' increasing mistrust in their institutions produces a sense of insecurity that depresses their happiness.

The third force that tends to decrease the happiness of Mrs. or Mr. Jones – the average American – is the income of other Americans. The reason lies in social comparisons. The Joneses, in fact, compare their possessions and lifestyles to those of a selected group of people whom they respect and would like to imitate. This group of people, called the reference group, determines not only the standard of consumption of the Joneses, but even the things they consider to be fundamental needs.

In brief, the Joneses have to keep up with other Joneses. In this sense, the well-being that the Joneses derive from the goods they consume depends on their social comparisons. Having a lot may not seem much to the Joneses, if those with whom they compare themselves have more.

When social comparisons are increasingly important, as in the United States, economic growth tends not to increase well-being because growth is a general increase in income. Although the income of Mr. or Mrs. Jones is increasing, so are the incomes of those to whom they compare themselves. So economic growth cannot improve the position of millions of Joneses in their social comparisons. It has little effect on their happiness.

The Joneses are on a *positional treadmill*. While they strive to earn more money in order to climb the social ladder, economic growth also increases the incomes of their reference group. No climbing is possible on a treadmill.

Summarizing, the decline in average American happiness depends on the fact that the sum of these four influences is negative. The decrease in happiness observed over the 30 years of the study is predicted by the negative impacts on happiness of the increase in relational poverty, the decline in trust in institutions, and social comparisons, which more than offset the positive impact of economic growth. The study shows that if the quality of relationships had remained at its 1975 level, the happiness of Americans would have increased.

In order to highlight the importance of relationships in determining happiness, I provide some monetary measures of their value.[3] Individuals who see others as being mostly honest and supportive are happier than individuals who believe the opposite. The additional family income needed by the latter to be as happy as the former amounts to $135,000 per year (support is valued $101,000 and honesty $34,000). In other words, individuals who believe that they live among dishonest and unsupportive people need $135,000 more per year to reach the same happiness level as individuals who believe that people are honest and supportive.

The economic value of loneliness is striking as well. An individual who never gets together with friends, relatives or neighbors needs $155,000 more per year to reach the same happiness level as individuals who cultivate (even only occasionally) such social contacts (friends are valued at $52,000, relatives at $56,000 and neighbors at $47,000).

These are remarkable, albeit merely indicative, figures. They suggest that the American economy should have grown at a much higher pace than actually observed to prevent the increase in relational poverty from leading to a decrease in happiness. Household incomes should have grown by more than 10% per year to offset the loss of happiness caused by relational decay. Note that this figure indicates the income growth needed simply to maintain happiness at the 1975 level, not to increase it. Not even 30-year growth at the Chinese pace would have increased American happiness, given the deterioration of relationships that has occurred.

One may conclude that GDP, the conventional measure of a country's prosperity, is irrelevant as a measure of well-being. Even though it captures one dimension of well-being – purchasing power – it overlooks other dimensions that have a huge impact on well-being such as relationships, social comparisons, and trust in institutions. Simply put, money is not irrelevant for happiness, but ultimately it does not count for much. Other factors, in particular the quality of relationships, count more, and they have all worsened over recent decades in America. This is what depressed Americans' happiness.

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[3] These calculations were done by the method of income equivalents, frequently used in happiness studies. The impact of income on happiness is used to calculate the increase in income needed to compensate for the happiness loss due to unfavorable conditions, such as being unemployed or lacking social contacts.

6. Work and relational poverty

Another study conducted by Ennio Bilancini and I shows that the decline of relationships may be a factor in the increase in working hours observed in America over the past few decades. This study also used General Social Survey data which provides information on hours spent working from the mid-1970s to the mid-2000s. Using structural equations, we show that relational poverty increases people's working hours. Individuals who are poorer in terms of relationships work longer hours. This suggests that the increase in working hours in America over the thirty years of the study period has been influenced by the decline in relationships. For Americans, money and work have become a compensation for the increasing poverty of relationships in their lives. In turn, people who work more tend to have fewer and poorer relationships, because work takes away time and energy that could be dedicated to relationships. Thus causality seems to run both ways: greater relational poverty leads to longer working hours and longer working hours cause greater relational poverty.

Box: The Easterlin paradox debate

Some scholars have challenged the Easterlin paradox by showing that average subjective well-being increases slightly as average GDP grows. This sparked a debate between advocates of the existence of the Easterlin paradox and their opponents, but since the size of the impact of growth on well-being estimated by the opponents of the paradox is small, the debate is about whether economic growth buys a little or no happiness at all.

Before summarizing the controversy, it is worth clarifying that it has little relevance for the central theses of this book, namely that it is possible to obtain substantial increases in lasting happiness by improving relationships; to do so, reasonable policies already exist; their cost is low and they can begin to durably increase well-being relatively quickly.

In practice, even admitting that GDP *does* buy a little happiness, it would take decades of growth, at rates greater than those we are experiencing, to obtain the effects on well-being brought about by small public expenditures aimed at improving relationships. The effect of sustained growth on well-being is also made uncertain by the fact that the growth policies normally implemented worsen the social crisis at the root of the well-being crisis (Sachs 2017).

Thus, the fact that economic growth may buy a little happiness does not change my conclusion that we are not getting happier simply because we are seeking happiness in the wrong place. We ascribe too much importance to the economy in our lives and in socioeconomic organization.

What exactly is the Easterlin paradox? In the past few decades, happiness has increased in some countries and decreased in others, varying at different rates. For instance, average subjective well-being has declined in the United States and risen in many western European countries (Stevenson and Wolfers, 2008; Inglehart, 2010).

What predicts these differences? The answer offered by the Easterlin paradox can be summarized by paraphrasing Bill Clinton: it's *not* the economy, stupid. Indeed, according to the paradox, economic growth does not predict the cross-country variability of long-term time series of subjective well-being. The Easterlin paradox is often confused with the statement that happiness trends are substantially flat. This is not the point, because happiness varies in the long run. The paradox claims that these variations are unrelated to growth.

The Easterlin paradox was questioned in papers by Stevenson and Wolfers (2008, 2013) and Sacks, Stevenson and Wolfers (2010). These influential papers use the same approach as Easterlin and collaborators, based on bivariate correlations of time series of subjective well-being and GDP, but come to the opposite conclusion. They find that GDP and subjective well-being are positively and significantly related (albeit weakly) over time.

The time horizon is the essence of this controversy. Stevenson, Wolfers and Sachs's samples include countries with long and short-time series. According to Easterlin and Angelescu (2009) and Easterlin et al. (2010), these results depend on failure to distinguish between the long and the short term. Indeed, Easterlin and collaborators show that GDP matters for subjective well-being in the short run, but this correlation vanishes in the long term. This result is consistent with those of other studies identifying a tendency of subjective well-being and GDP to vary together during short-term contractions and expansions of the economy, whereas in the long-term no correlation is found (Bartolini and Sarracino 2014, Di Tella et al., 2001).

In any case, the American and European data used in this book is not disputed in this debate. Stevenson and Wolfers (2008) admit that American happiness has shown a declining trend in the past few decades, despite substantial economic growth, and they define the US as "a puzzling outlier".

Box: The myth of flat trends of subjective well-being

Many economists are convinced that the trends of subjective well-being are substantially flat. This belief has been influenced by the way Easterlin originally presented his results (Easterlin 1974). However, the evidence that has since accumulated shows that subjective well-being actually varies over time, with patterns that differ from country to country. This turned out to be the starting point shared by all the studies on the Easterlin paradox cited in the previous box, despite their different viewpoints on the role of economic growth in generating well-being.

The changes in subjective well-being over time are generally statistically significant, as for instance the US and European changes (Bartolini et al. 2013, Stevenson and Wolfers 2008). More importantly, such trends can be predicted. Indeed, international differences in the trends of relational goods largely predict the trends of subjective well-being across countries, over the long and the medium term (Bartolini and Sarracino 2014). Within-country changes in subjective well-being are also predicted by changes in relational goods, as this book shows. The statistical significance as well as the predictability of the long-term changes in subjective well-being suggest that these are not random fluctuations around flat trends.

Moreover, percentage changes in average subjective well-being are often small compared to changes in GDP, and this helped feed the belief that subjective well-being is basically untrended. However, subjective well-being is measured on a bounded scale, with a maximum and a minimum. This is a substantial difference with respect to variables, such as GDP, that are unbounded. Take for example China and India. In the 1990s, average life satisfaction in India fell by 15%, while in China it decreased by 8% (15% for low-income earners) (Bartolini and Sarracino 2015). In the meantime, GDP per-head rocketed, roughly doubling in both countries.

The difference between these percentage changes does not allow us to conclude that the loss of life satisfaction was negligible compared to the gain in GDP. A more reasonable conclusion would be that while the average Chinese and Indian was getting richer in terms of money, they were also becoming poorer in well-being. Indeed, in the case of a bounded measure, such as subjective well-being, tiny changes have a different meaning from similar changes in GDP. We still do not know to what extent small reductions in average subjective well-being translate into greater human suffering, e.g. mental illness, suicides, addictions and violence. The American example suggests that it may be surprisingly large.

Box: Genetic happiness

It has been argued that genetics count for happiness. According to this view, persistent differences in well-being between individuals are explained by the fact that some people are genetically predisposed to be happier than others. Life events cause short-term changes in well-being, but such changes fluctuate around a setpoint, determined by one's genes. This view – called setpoint theory – strongly emphasizes adaptation. Positive or negative events can only alter a person's well-being in the short term. In the long run, adaptation brings the person back to the initial setpoint (Lykken and Tellegen 1996, Lucas et al., 2003; Headey, 2008).

Setpoint theory is supported by evidence showing that people who win a lottery are no happier after the initial outburst of happiness than people with spinal cord injuries (Brickman et al. 1978). The link between genetics and happiness is thought to be largely mediated by personality traits. Evidence from twin studies indicates that many personality factors are inherited to a significant degree, as much as 50% (Lykken and Tellegen, 1996). However, twin studies are often based on small numbers of observations, suggesting that prudence is advisable when drawing general conclusions from their findings.

Some versions of the setpoint theory claim that life circumstances have a negligible role in explaining happiness (Kammann, 1983). These extreme versions have been heavily criticized for overstating the role played by adaptation (Easterlin, 2003; Lyubomirsky et al., 2005; Haworth et al., 2016). While some adaptation to life events is widely accepted among happiness scholars, the critical issue is whether adaptation is complete, that is, whether people return to their initial level of happiness. Complete adaptation is a depressive and nihilist view because it means that there is nothing we can do to lastingly improve the human condition (Diener and Lucas 1999). Fortunately, it is a very unlikely view.

Psychological studies show that adaptation to some experiences, such as noise, cosmetic surgery, unexpected death of a child, health and marital circumstances, is typically less than complete. In other words, these experiences have a lasting impact on well-being (Frederick and Loewenstein, 1999, Wortman and Silver, 1987, Easterlin 2003).

Moreover, cross country comparisons show that the strong association between relational goods and well-being in the long (15 years) and medium term (6 years) vanishes in the short term (2 years) (Bartolini and Sarracino 2014). The association between relational goods and well-being

therefore seems to develop slowly and to be durable. This evidence is inconsistent with the notion that relational goods are subject to adaptation. Indeed, adaptation predicts that an initial positive impact of relational goods on happiness should vanish, and not strengthen, as time goes by.

In any case, the debate on genetic happiness has limited relevance for this book. The changes in happiness across decades that I try to explain are evidence that happiness does not depend entirely on genetics. The genetic heritage of a population cannot vary over the time span considered in this book (decades). Hence the degree to which genetics influence happiness is not a central issue in a book concerned with changes in happiness that are clearly not genetic.

Chapter 6 - Defensive growth

The rising poverty of relationships, time and well-being of Americans depicts a deep and long-standing social crisis. This crisis contrasts with the dynamism of American economy, that grew faster than European economies and recovered more rapidly from the 2008 crisis. The interesting question is: is there a relationship between economic dynamism and social crisis? The positive answer provided by this chapter is based on the "defensive growth" approach, according to which GDP growth and social crisis can feed each other. This idea may sound counter-intuitive. Instinctively, people tend to think that a healthy society produces a healthy economy and vice versa. I agree. My point is that growth of GDP can be the sign of a sick economy and not of a healthy one.

1. Economic growth and relational poverty.

Some growth models that I developed with Angelo Antoci and Luigi Bonatti show that relational decay can be the engine of an economic growth that has an undesirable impact on well-being (Bartolini and Bonatti, 2002, 2003a, 2008a; Antoci and Bartolini, 2004). These "defensive growth"[1] models are based on three hypotheses: 1) there are things that cannot be bought, namely free and common goods, that are nevertheless important for well-being; 2) the economy can provide costly substitutes for free goods; 3) economic growth reduces the availability of free goods.

The first hypothesis refers to relational and environmental goods. Environmental goods indicate the quality of the natural environment. Many of these goods cannot be purchased. No one can sell us better air quality in the city we live in. It is equally obvious that relational goods cannot be bought. No one can sell us friendships, or affection, or a city free of crime.

The second hypothesis is that there are costly substitutes for free goods. For example, if the seaside or lake close to home becomes too polluted, we can buy a pool or a trip to a tropical resort. If our city becomes too dangerous to go out after dark, we can buy all kinds of home entertainment and

[1] Elsewhere the label NEG (Negative Endogenous Growth) has been used in place of "defensive growth" (e.g. Bartolini et al. 2014)

spend our evenings at home. In short, we have the possibility of defending ourselves from the deterioration of the environmental and social conditions by buying material things. This amounts to say that private goods can substitute for common goods. In order to finance these “defensive expenditures” we must work more. In other words, the efforts we make to defend ourselves from the degradation of free goods ultimately increase GDP. Therefore, common decay produces growth.

The third hypothesis is that economic growth generates a decline in environmental and relational conditions. Obviously, the quality of the environment is worsened by the greater pollution caused by higher production and consumption. How growth can lead to a worsening of relational conditions is less obvious and it will be explained further on, in the third part of the book. For the moment, let us consider it a hypothesis.

These conditions describe an economy whereby environmental and relational deterioration generates economic growth and this, in turn, generates environmental and relational decay. A self-feeding mechanism is triggered, resulting in growing economic affluence and increasing environmental and social poverty. Individuals use private affluence to offset the deterioration of common goods giving rise to the contrast between private prosperity and common poverty that hat characterizes the “affluent society” (Galbraith 1962).

The core of this mechanism is that growth works as a substitution process based on the destruction of non-market goods. Defensive growth is fed by diminishing free goods and by their substitution with costly ones. This kind of growth is fueled by its own destructive power.

Sociologists have long emphasized that growth is associated with the creation of new needs and with the change in consumption patterns. In the light of defensive growth, the new consumption needs appear to be defensive expenditures generated by the decline in free goods and the change in consumption patterns concerns the shift from common (and free) goods to private (and costly) ones.

The incentive, created by the decrease in free goods, to increase working time is at the base of this mechanism. Individuals have to work more to be able to purchase greater amounts of defensive goods. Defensive growth describes a world of individuals whose motivation to make money is fed by living in a society where their access to free goods diminishes. In other words, what drives people into a passionate hunt for money in affluent societies is the increasing expenditures needed to defend themselves from the decline in relational and environmental conditions.

The effects on well-being of defensive growth are disappointing. The negative impact on well-being caused by the declining quality of environment and relationships, as well as the reduction of leisure, offset the positive effects of higher income. In this context, haste and unhappiness are two sides of the same coin. The importance of money and the efforts people expend to obtain it, both grow in a world where things that can be done without money decrease. Money becomes the private way out from the decay of what people have in common. This decay explains why greater economic prosperity may not lead to greater well-being.

2. The schizophrenia of growth.

The traditional view of growth tells only a partial story, namely that luxury goods for one generation become standard goods for the next generation and these, in turn, become just basic needs for the following one. The history of economic growth is obviously full of such examples (appliances, cars, trips, medicine, cultural consumption, etc.). The dark side of this story is that goods that were free for one generation become scarce and costly for the next generation and indeed luxury goods for the one after that. Silence, clean air, a dip in a clean ocean or lake, pleasant walks in flowering meadows or lush forests, crime-free neighborhoods or low cost meeting places are examples of goods that previous generations had for free but that are now scarce.

A couple of metaphors can be used to describe this mechanism. The first one is that growth is affected by schizophrenia: its behavior resembles that of a schizophrenic individual who builds something with one hand and destroys it with the other. The second one has been described above as the relational treadmill.

Box for economists: the key equations of defensive growth.

Defensive growth models insert some key equations in traditional exogenous or endogenous growth models.

The first equation is the period (or instantaneous) utility function of the representative household, which is increasing in its three arguments:

$U_t=U(C_{1t},L_t,X_t),\ U_C>0,\ Uc_C<0,\ U_L>0,\ U_{LL}<0,\ U_X>0,\ Ux_X<0,\ L_t\leq H,$ (1)

where C_{1t} is a consumer good that can be purchased on the market, L_t is leisure time and X_t is a service that is provided by combining a good can be purchased on the market, C_{2t}, and a renewable resource, R_t, to which everybody has free access (a "common").

The second equation captures the modality through which C_{2t} can substitute for R_t in the provision of X_t:

$X_t= S(C_{2t}, R_t),\quad S_{C2}>0,\ S_R>0.$ (2)

The third equation gives us Y_t, that is the amount of market output in period t, as a function of leisure time and—possibly—of a bunch of additional variables (such as productive assets):

$Y_t=F(H-L_t,...),\quad F_L<0.$ (3)

where H is the total time endowment of the representative household.

The fourth equation governs the motion of the renewable resource:

$R_{t+1}=G(Y_t, R_t),\quad G_Y<0,\ G_R>0.$ (4)

Notice that the amount of market production affects negatively the future endowment of R_t.

Finally, we have the economy's resource constraint:

$$C_{1t}+C_{2t+....}\leq Y_t.$$ (5)

Equations (1), (2) and (4) characterize defensive growth and contain the three critical hypotheses on which such models are based: i) individuals well-being is affected by a common resource; ii) such common can be substituted by a market good; iii) the common resource is affected by negative externalities increasing in the level of market output. As for equations (3) and (5), they can assume one of the standard forms employed in endogenous or exogenous growth models.

Equations (1), (2) and (4), if inserted in traditional growth models generate defensive growth, meaning that aggregate output grows more than in the corresponding traditional growth model.[1] In exogenous growth models, where the steady-state level of economic activity is flat, defensive growth generates a higher steady-state aggregate output. In endogenous growth models, where growth is perpetual in the steady-state, defensive growth generates a higher steady-state rate of output growth.

The engine of defensive growth are negative externalities. The greater they are, the more output grows. Individuals protect their well-being from negative externalities by increasing defensive consumption (C_{2t}). The ensuing growth in production feeds back into negative externalities, leading to a self-fueling mechanism in which negative externalities generate growth and growth generates negative externalities.

This growth however, is undesirable. Growth goes too far in the sense that, as a result of the internalization of the negative externalities, a benevolent planner would lead the economy towards a steady-state characterized by a lower level of output (or of growth) and a higher well-being of the representative household.

Defensive growth differs from the endogenous growth paradigm, with its insistence that individuals unintentionally generate increasing returns through positive externalities. This gives rise to a self-reinforcing mechanism whereby growth causes externalities and externalities cause growth. Defensive growth offers a complementary explanation, this too based on the unintended effects of individual actions, but with the difference that in our case the externalities under consideration are negative.

In the next section I summarize an empirical test on micro data of the hypothesis, implied by equation (2), that private consumption and the common resource are substitutes. This hypothesis is critical for defensive growth, which is a process of substitution of common with private consumption. In such test, the common is measured by relational goods, while consumption is proxied by personal income. The hypothesis of substitution between income and relational goods

1 More precisely, to obtain defensive growth equation (1) and (2) should substitute for the utility function used in standard growth models, while equation (4) should be added to standard models.

implies that income should be more important for the well-being of individuals with poor relational goods, than for individuals with a socially rich life. Conversely, if relational goods and income were complements, the well-being of individuals with more relational goods should be more dependent on their income, compared to individuals with less relational goods. We test these predictions by focusing on the way relational goods interact with income in generating well-being. Our findings are consistent with the hypothesis of substitution between relational goods and income in the utility function, and are inconsistent with complementarity.

3. Envying alone

The defensive growth approach is based on the idea that money can protect people from the malaise caused by the poor quality of their relationships. This defensive role of money resides in its capacity to at least partly replace relationships in producing well-being.

To what extent can money be a compensation for loneliness or troubled relationships? Piekalkiewicz, Sarracino and I tried to answer this question by testing whether income is more important for the well-being of people with poor relationships than for other people. Income can affect well-being in two ways. On one hand, personal earnings contribute positively to well-being because they allow greater purchases. On the other, reference income hampers wellbeing because of social comparisons (chapter 5, sect. 5). Reference income is the average income of an individual's reference group, i.e. the people one compares with. Holding constant personal income, individuals with higher reference income are less happy. In other words, keeping up with Joneses who are relatively better-off has costs in terms of happiness.

We analyzed several sources of survey data and the result did not change: the more and better a person's relationships, the less her well-being is affected by her own and the Joneses' income. Table 1 shows an example of these findings. It documents changes in the correlation between income and life satisfaction for people with different social connections, measured by an index. This index sets a maximum score of 4 if a person is involved in the following four activities at least once a month: social gatherings, helping friends, volunteering, participation in local politics. The index scores 3 if the person is only involved in three of these activities, and so forth. The minimum score is zero for persons who are never involved in such activities.

Table 1 shows that the correlation between (reference and personal) income and life satisfaction weakens as the index of social connections grows. On average, the life satisfaction of a socially isolated person (index = 0) depends twice as much on his personal income than the life satisfaction of a socially active person (index = 4). With regard to reference income, socially engaged individuals are not concerned about it: their well-being is unrelated to whether the Joneses are more or less well-off.

	SC index=1	SC index=2	SC index=3	SC index=4
Personal income	-19%	-28%	-42%	-48%
Reference income	-38%	-60%	-78%	-105%

Table 6. 1. The well-being of individuals with more social connections is less related to personal and reference income. German data from SOEP 1985-2011. The SC index measures social connections

We also examined whether the importance of money changes with variations in the quality of people‘s relations throughout their lives. We found that income became more important for people‘s well-being when their social activities reduced over the past year. Conversely, reference income lost one third of its importance for the well-being of individuals whose social connections increased in the course of the past year. This lagged impact suggests that relational poverty is a cause of money concerns.

We checked the robustness of the results in table 1 (concerning Germany), using about 500,000 interviews of citizens from nationally representative samples of dozens of European countries. We employed different statistical methods, various measures of personal and reference income, of relational goods (including trust and socializing with friends), and we always reached the same conclusions.

The dependence of people’s happiness on money is strongly promoted by relational poverty. Roughly 50% of personal income has a defensive nature. Indeed, the impact of personal income on well-being halves when individuals are highly trusting and engaged in social activities, compared to socially isolated and less trusting individuals. This moderating effect of relational goods is stronger for social comparisons, which are entirely defensive. In fact, their importance completely cancels

out for individuals with a rich social life. Isolated people are the most concerned about how much more or less they earn than other people.

People engage in the race for positions as a compensation for poor relationships: socially isolated individuals become vulnerable to social comparisons. When the positive side of sociability declines (relational goods), the negative side (social comparisons) seems to develop. Loneliness is fertile ground for envy. People's well-being always seems to be affected by other people, either positively or negatively. These findings suggest that when people are not social they are anti-social, but they cannot be a-social. The view that high social comparisons and poor relations are two faces of the same coin is supported by many studies on materialistic values by social psychologists, as we shall see in chapter 8.

This evidence supports the view that the quest for affluence can be a consequence of a non-economic form of poverty, relational poverty. According to this view, more money is not the way to better lives but a refuge from worsening lives.

4. Mass examples of envy and solitude: China, India and the United States

Seen in this light, the decline in relational goods and the increase in social comparisons, i.e. the main factors that predict the decline in well-being in the United States, are closely linked. This pattern of growing envy and poor relationships is replicated in countries very different from the US, such as China. A cross-country survey conducted by Ipsos in 2013 documented that nearly 70% of Chinese people and almost 50% of Americans "feel under a lot of pressure to be successful and make money". China ranks top among developing countries in the international comparison of materialism, and the US ranks top among developed nations. This record is the result of a decades-long rise in materialism in both countries (Bartolini and Sarracino 2015, Zhitian 2015).

The upsurge in social comparisons that Chinese people have shared with Americans in the past few decades has mirrored soaring materialism (Brockmann et al.). As in the US, the wave of social envy in China paralleled the decline of relationships. In the period 1990-2007, there was a fall in trust (-11%), associational activity (-20%), civic behavior and married population (-16%). Loneliness spread: between 2000 and 2010 the number of solo households doubled in China (Bartolini and Sarracino 2015).

India exhibited similar patterns of increasing relational poverty and social comparisons. US, China and India account for almost 40% of the world population. The fact that such a big share of the world's inhabitants has experienced both an epidemic of social envy and the erosion of relationships is consistent with the view that obsession about keeping up with the Joneses prospers amidst relational poverty.

The similarities between these three countries do not end here. First, these countries are the most celebrated recent examples of economic growth among developed (US) and developing nations (China and India). Second, they are major protagonists of the Easterlin paradox, sharing a long-term decline in subjective well-being. In the framework of defensive growth, both their economic success and the decline in their well-being are boosted by increasing relational poverty and social comparisons.

5. Conclusion

To the best of my knowledge, defensive growth is the only explanation of the long-term coexistence of declining well-being and relational goods, soaring social comparisons, and rapid economic growth. The coexistence of fast growth and declining relational goods – or more in general social capital – is especially puzzling for the dominant view of the past 20 years, according to which social capital fosters growth, particularly by reducing transaction costs (Knack and Keefer 1997; Helliwell and Putnam 1995; Guiso et al. 2006; Algan and Cahuc 2013; Alesina and Giuliano 2016).

The explanation provided by defensive growth is that declining social capital and rapid growth may coexist because they feed each other. This explanation is not incompatible with the plausible idea that social capital contributed to build the economic prosperity of the West many decades ago. However, in recent decades, and especially in the US, this type of growth was replaced by defensive growth, which is fueled by the erosion of social capital.

Box: Happiness is more evenly distributed in socially richer countries

To what extent are the rich happier than the poor? In other words, to what extent does the distribution of income affect the distribution of well-being among income groups?

According to the following scatterplot, the answer depends on a country's trust. Figure 6. 1 shows the relationship between a measure of trust and a measure of the distribution of well-being among income groups across 32 European countries. The distribution of well-being is measured by the difference in average life satisfaction between the richest and poorest income quintiles, while trust is measured by the share of a country's population who are highly trusting.

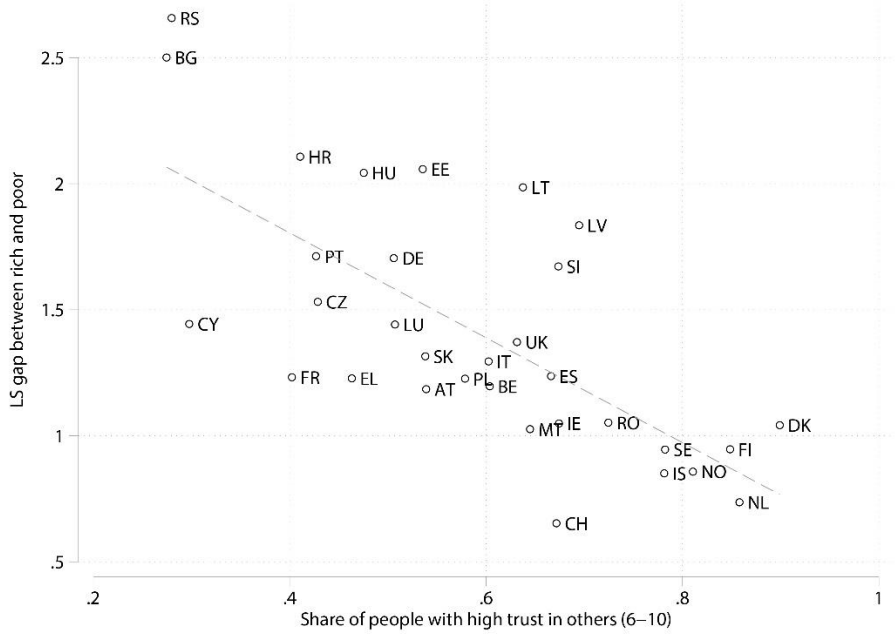


Figure 6. 1. The gap in well-being between rich and poor people decreases with increasing trust in others. EU-SILC data (2012) from 32 European countries.

In countries rich in trust, there is less difference between the well-being of the rich and poor. The lower a country's trust, the more money matters for well-being. In Russia, where trust is very low, the difference in life satisfaction between the rich and poor is more than 25%, whereas in high trust countries – such as Switzerland or Netherlands – it is around 7%. One may think that these differences in well-being are due to income inequality, which is greater in Russia than in Switzerland or Netherlands. However, income inequality only partially affects differences in well-

being between income groups. Holding constant the Gini index of income inequality, countries where trust is higher exhibit substantially lower happiness inequality between income groups. These findings are confirmed by other data sources, as shown in figure 6. 2.

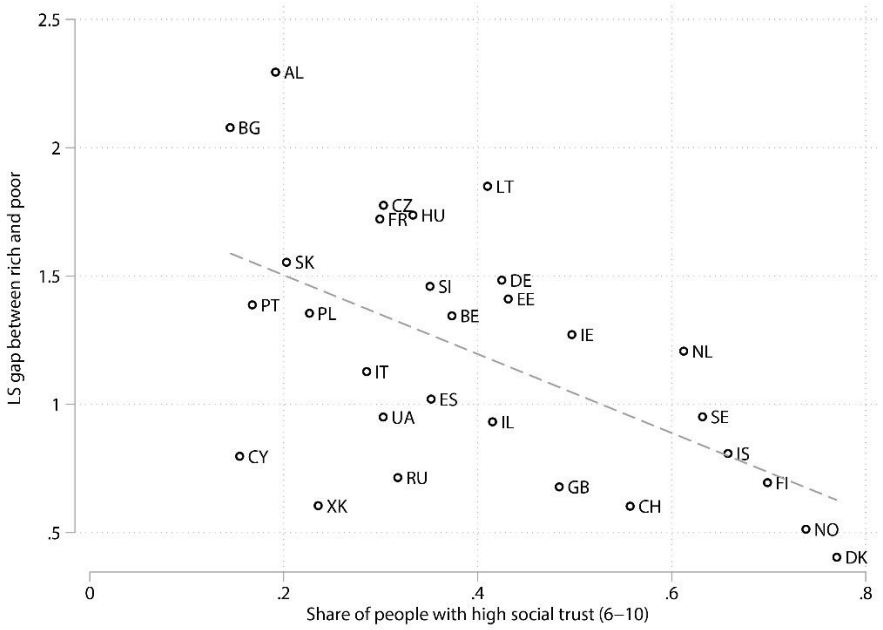


Figure 6. 2. The gap in well-being between rich and poor people decreases with increasing trust in others. ESS data (2012) from 29 European countries.

These cross-country findings mirror the findings of Piekalkiewicz, Sarracino and I on individual data. In fact, the greater the importance of income for well-being, the more income disparities translate into well-being disparities between income groups. Since good relationships make money less important for individuals, in socially richer countries the difference in well-being between rich and poor shrinks. Relational affluence reduces the impact of income inequality on the distribution of well-being along the income ladder.

Chapter 7. Loneliness, fear and ill-being as drivers of American growth

American economic growth in the past few decades has been largely boosted by expenses for defense against the decline of relational goods. Examples go well-beyond the impressive boom of the home entertainment sector, fueled by the loss of social character of leisure. The sectors of the American economy that are enhanced by rising loneliness, conflict, fear and malaise grew more quickly than the rest of the economy, becoming driving forces of economic growth. In this chapter I focus on some of such sectors: transaction costs, security and social control, construction and healthcare.

1. The rise of transaction costs

The substitution between free and costly goods operates not only in our consumption patterns but in our production patterns as well. The loss of trust, shared social norms, honesty or business ethics, makes market transactions more complicated and therefore more costly.

For example, it is possible to substitute trust in employees with surveillance cameras or supervisors. If a company's trust in its business partners decreases, it can hire legal consultants to draw up contracts to protect the company. Expenses for legal and business consultants, protection of trade secrets, protection and enforcement of property rights, monitoring, drawing up and enforcing contracts, search for and selection of staff and business partners are all examples of substitution of trust with costly goods.

These are examples of "transaction costs", which cover a range of costs associated with the exchange of goods or services and the protection of private property. Transaction costs typically include those costs related to protection against opportunism, namely the practice - motivated by self-interest - of exploiting circumstances without regard to moral principles or to the interests of others.

Transaction costs rise as a reaction to declining trust in the honesty, fairness, integrity, business and work ethics of others. All these expenses feed GDP and accustom people to work amidst distrustful and conflictual relations. Economies in which these relationships become the norm tend to spend considerable resources to make business and work relations function (Bartolini – Bonatti 2008a and

2008b). Wallis and North (1986) documented the long-term expansion of the (private plus public) transaction cost sector: 26.1% of US GDP in 1870 and 54% in 1970.

2. The industry of fear: security and social control

Since the late 1970s spending on security and social control rocketed, as a consequence of declining trust (Putnam 2000). Police and guards increased by 40% and lawyers and judges by 150% over the levels that had been projected in 1970 (Putnam, 2000, p. 146). According to Jayadev and Bowles (2006), the US workforce share employed as work supervisors and guards (police, correctional officers and security personnel) remained stable from 1948 to 1966 (about 10.8%) and then grew to 13.4% in 1979 and shot up to 17.9% in 2002.

This is an astonishing figure: in 2002, the job of almost one out of five American workers consisted in controlling someone else. The extraordinary dimension of American society's disciplinary apparatus gives a concrete idea of the high costs engendered by the erosion of trust. This thriving industry of fear fed American economic growth.

The flip side of the coin of the upsurge of the security sector is the astonishing increase in the US prison population, which soared from 200,000 inmates in 1973 to 2.2 million in 2009, resulting in a 'historically unprecedented and internationally unique' incarceration rate of nearly 1%" (National Research Council, 2014: 2). The incarceration rate is the ratio between prisoners and total population. Put quite bluntly, the only historical precedents with higher incarceration rates are probably Stalin's USSR and Mao's China during the Cultural Revolution. Expenditures related to the prison and criminal justice system can also be regarded as defensive. Imprisonment, in fact is a deterrent to would-be criminals.

In any case, aside from its size, what stands out is this prison population's color: decidedly black. The incarceration rate among black people rose to 2.3%, while among black males to an incredible 4.7%. That amounts to say that nearly one out of 20 black males, including children and old men, is in prison. In short, if you are a black American, you are very likely bound to know several people of your ethnic group doing time in the nation's prisons, and indeed possibly someone from your family. The current tensions concerning the treatment that blacks receive from the police and the criminal justice system, called the new American Civil War (New York Times), must be framed in the context of a situation that in recent decades has become quite unique on the international scene.

The American situation is exceptional also as regards work supervisors. One out of six American workers monitors other workers. In the US the share of work supervisors as a percentage of the total workforce outnumbers any other country except the UK, as shown in figure 7.1.

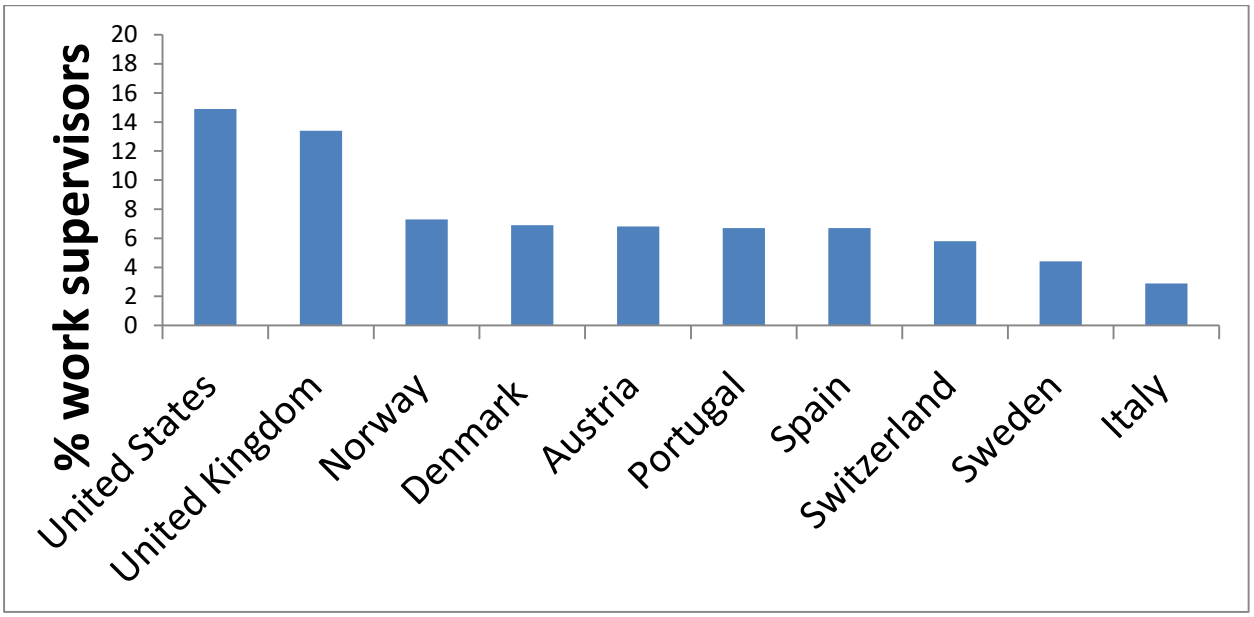


Figure 7. 1. Work supervisors as a share of the workforce: international comparisons in 2002. Source: Jayadev and Bowles, 2006

Notice that spending on "guard labor" measured by Jayadev and Bowles is only a fraction of the total spending on security and control. People protect themselves against declining trust not only by buying labor, but also goods. For example, surveillance systems, monitoring technologies, property protection systems, alarms, access codes, etc. The American widespread obsession for weapons must be framed within this context.

3. The industry of economic segregation: urban sprawl

Urban sprawl was the backbone of the construction boom that contributed vigorously to American growth until the recession of 2008. Not less importantly, urban sprawl was the engine of soaring residential income segregation. This term designates the tendency of families with different incomes to cluster in different neighborhoods. Since the 1980s, as a consequence of suburbanization, neighborhoods in which families with different incomes mixed have gradually

disappeared from American cities. Indeed, urban sprawl is a pattern of income segregation. The similarity of houses in suburban neighborhoods shows that they are conceived for people with similar incomes. Segregation increased at both ends of the income distribution: high- and low-income families alike became increasingly residentially isolated, exacerbating the polarization of neighborhoods by income (Bischoff and Reardon 2011).

At the root of suburbanization there is a collapse of mutual trust between persons with different incomes, and this is closely linked to the astronomical increase in income inequality. Fear and insecurity have played a critical role in boosting American urban sprawl. Income segregation was the goal of middle-class households who sought refuge from unsafe inner-city areas by moving out to the suburbs. They wanted to live among people with similar middle-class incomes.

Urban sprawl is a consequence of the crisis of relationships between different income classes. In turn, it feeds this crisis because in cities segregated by income, people with different incomes meet and become acquainted less. Residential segregation by income also causes segregation by income of major amenities that benefit large shares of the population, such as schools, parks and public services. Different income groups end up having nothing in common. The growing lack of social connections feeds mistrust between different income groups.

It is common in Latin America to live in very unequal societies, in which people only meet those of the same income group from an early age. This experience has produced many of the most dangerous cities in the world.

Concluding, defensive growth well describes a pattern of urban expansion that responds to a crisis of relationships and results in even less social connection.

4. The industry of malaise: healthcare

Healthcare is probably the sector that more than any other fed American economic growth in the past few decades. Figure 7.2 shows that in only 12 years, the weight of healthcare spending on the American GDP increased by almost 30%.

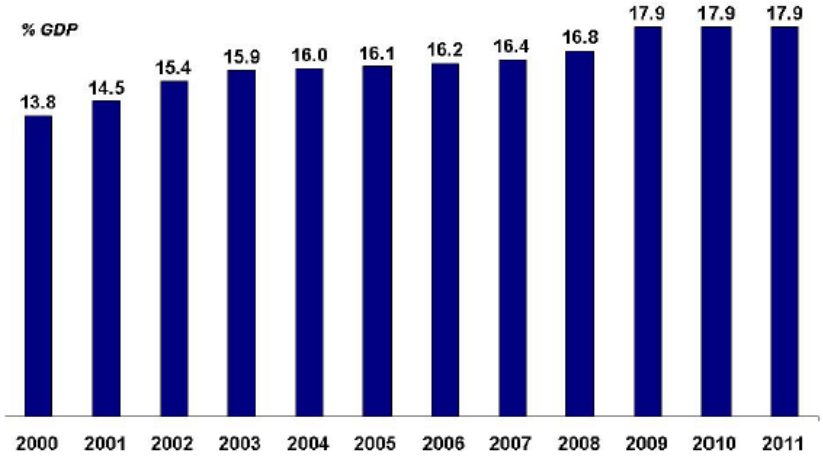


Figure 7.2. Healthcare spending as a percentage of GDP in the United States, 2000-2011. Source: OECD Health Data 2013

The size reached by the US healthcare sector is unequaled in any other country. In European countries the ratio of healthcare spending to GDP is around 10%, with far better results in all health outcome indicators. American healthcare has the worst cost/benefit ratio of the industrial world.

There are supply-side reasons for the disproportionate cost of American healthcare (see chapter 19). However, soaring demand plays a crucial role. Spending on healthcare is boosted by the worsening health of Americans. Some evidence of deteriorating health in the US is shown in the next box.

Such evidence comes as no surprise to epidemiologists. In the past 50 years epidemiology documented that unhappiness, poor relationships and social comparisons are major risk factors for health. These factors increase the risk of mental as well as physical disease because they induce people to lead less healthy lifestyles and, above all, weaken the immune and cardiovascular system (see chapter 18). In this light, rising ill-being, poor relationships and social comparisons over recent decades are expected to increase morbidity and mortality. The evidence from the US presented in the next box suggests that unhappiness makes people sick and kills in many ways

This implies that part of healthcare spending is aimed at repairing or mitigating the unhealthy consequences of unhappiness and relational poverty. This part of healthcare spending is defensive in nature. The booming healthcare industry is one more example of the disproportionate size in the American economy of the sectors that are fueled by declining relationships and happiness.

Box. Troubled lives, troubled health: mass examples from the U.S.

One of the tangible signs of rampant American malaise is the astounding number of drug overdose deaths (Katz 2017). According to recent estimates, 59,000 to 65,000 people died of overdoses in 2016. This is the largest American massacre since WW2. Roughly 58,000 US soldiers died in the entire Vietnam War, nearly 55,000 Americans died in the car crash peak in 1972, more than 43,000 died in the AIDS peak in 1995, and about 40,000 were shot in 1993, the peak year for firearms deaths (Lopez and Frostenson 2017).

The bulk of this massacre is due to the flooding of American society with legal and illegal opioids. Roughly 100 million US adults suffering from chronic pain (Institute of Medicine 2011) and widespread addiction to the euphoric effects of opioids explain this drug epidemic. Addiction and chronic pain are well-known side effects of unhappiness. Figure 7.3 shows the upsurge of drug overdose deaths in the last 17 years that led President Trump to declare the opioid crisis a national "health emergency". Beyond its high cost in terms of lives, the opioid epidemic has high healthcare costs. It generated 1.3 million hospitalizations in 2016 (Martinez 2017).

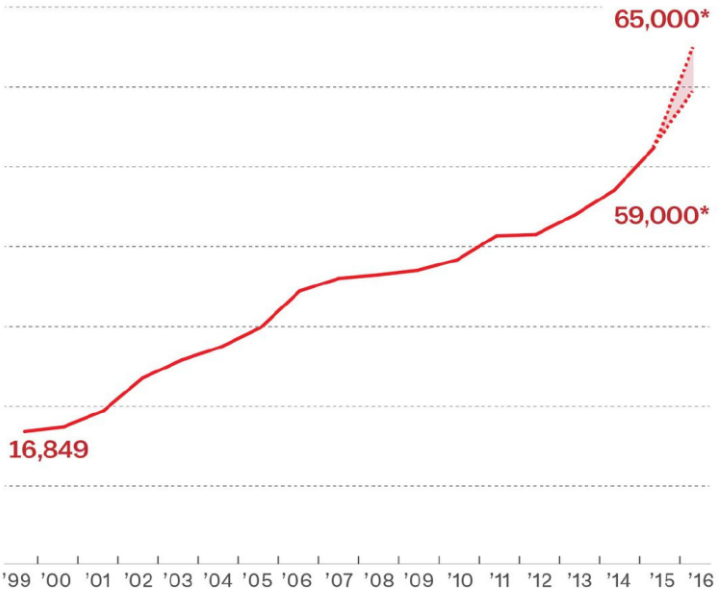


Figure 7.3. Drug overdose deaths in the US 1999-2016.

Case and Deaton (2015) recently provided large scale evidence of the health problems caused by malaise. In one population group, middle-aged white non-Hispanics, distress was so sharp as to lead to increased morbidity and mortality since 1998 (figure 7.4).

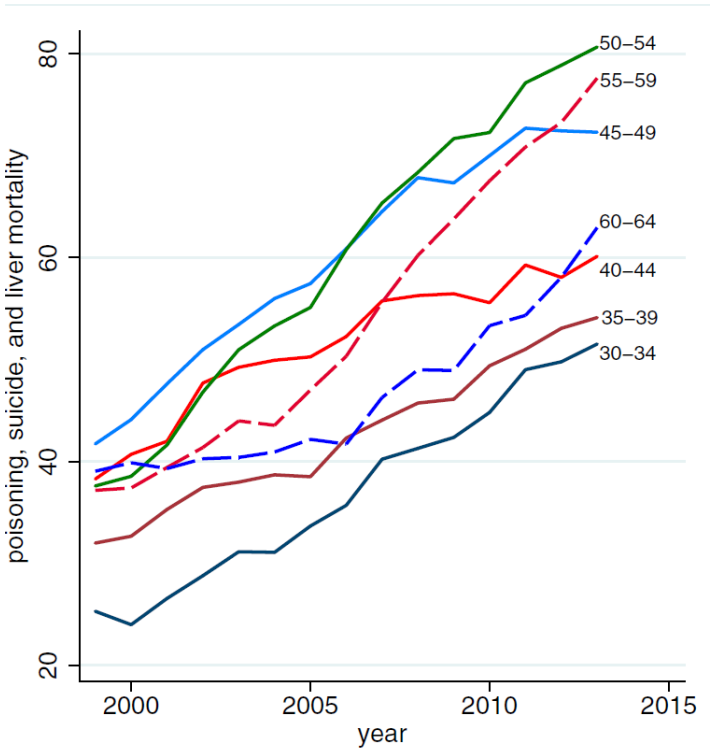


Figure 7.4. Mortality by drug and alcohol poisoning, suicide, chronic liver disease and cirrhosis among white non-Hispanics by 5-year age group.

The list of causes for the increase in mortality in figure 6. 6 speaks volumes about the underlying epidemic of dissatisfaction. Concurrent declines in self-reported health, mental health and ability to work, increased reports of pain and deteriorating measures of liver function – particularly among middle-aged whites – all point to increasing midlife distress.

This data aroused much attention because it shows an inversion compared to the worldwide increasing trend in longevity. This inversion concerns the part of America that showed the most evident signs of destabilisation and dissatisfaction, and that recently elected Donald Trump. I refer to the traditional white middle class of America, worst hit by deindustrialisation and increasing inequality. This class is impoverished and marginalized with respect to the high-income group and other races, an event symbolised by the election of Barack Obama.

That social comparisons, including that of race, play a crucial role in generating this distress is also suggested by the fact that the increase in mortality is concentrated in mid-life (45-54 years), a time when if you find yourself on the wrong side of the divide between winners and losers, you are likely to remain there. At this age it is difficult to cross to the other side. What strikes in Case and Deaton's findings is the extent to which mass dissatisfaction and frustration can turn into health deterioration. And of course, into health spending.	

5. Comparing the US and Europe

Defensive growth provides an explanation for why Americans have become richer of money and at the same time poorer in time and happiness. This explanation rests on the role of the increasing relational poverty in sustaining economic growth.

Is Europe following similar trends as those we observe in America? To what extent do Europeans participate in a mechanism based on relational degradation that results in more work, more growth, less happiness?

5.1 Economic growth and working hours.

In the period from 1980 to 2005, continental European economies grew less quickly than the American economy (Table 7.1).

	Total growth rate 1980 – 2005	Average annual growth rate 1980 – 2005
France	47 %	1.8%
Germany	48%	1.8%
Italy	49%	1.9%
United States	69%	2.7%

Table 7.1. Growth rates of per capita GDP 1980 – 2005 (average annual and across the period) in the U.S. and in some major European economies. PPP Converted GDP Per Capita (Laspeyres), at 2005 constant prices. Source: Heston et al, (2011), Penn World Table

Working hours diminished in Europe, differently from the US. In the mid-1970s, German and French citizens worked an average of 5-10% longer hours than American citizens. Thirty years later, they were working only 70-75% as long as the average American (Prescott 2004, see also Alesina et al. 2005 and Stiglitz 2008). Table 7.2 shows the evolution of working hours in France, Germany, Italy and the US in the period 1970-2004.

	1970	1980[a]	1990	2004
France	1295	1156	979	905
Germany[b]	-	1127	1004	934
Italy	1122	996	871	910
United States	1169	1213	1344	1299

Table 7.2. Trend of working hours for workers aged 15-64 (average annual work hours) per worker. Source: OECD, Employment Outlook Database e OECD Employment Outlook, 2005.

[a] The data relating to 1980 refer to 1979.

[b] The data relating to working hours in Germany refer to West Germany.

The current situation is that Americans work longer hours and have shorter vacation time than Europeans. The initial situation when Americans worked less than Europeans was ultimately reversed as a result of the opposite trends in hours worked (figure 7. 5).

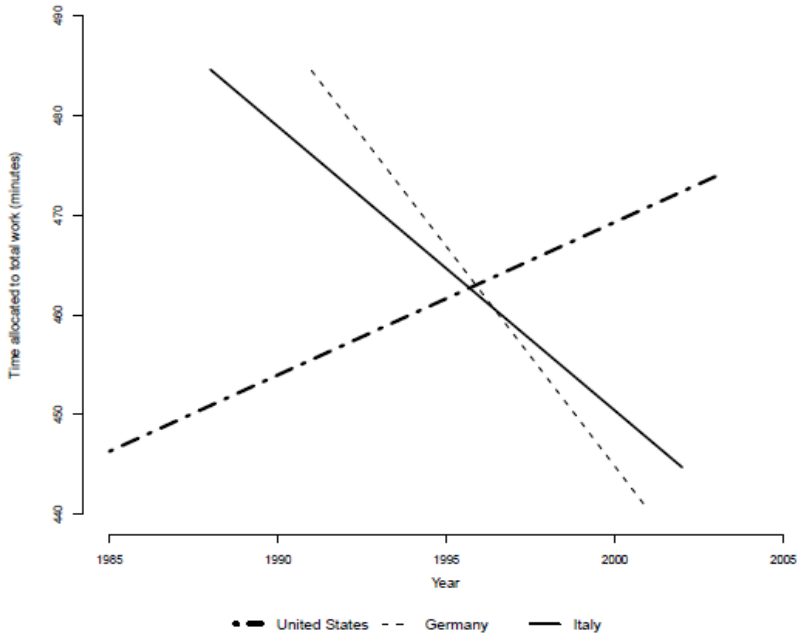


Figure 7. 5. Trends in overall working hours across countries. Average minutes per day for persons aged 20-74. Source: Burda et al. 2007

The difference in the working hour trends between Europe and the US is mitigated by the different trends in home work, i.e. unpaid work in the home, which dropped more sharply in the US. Indeed, Europeans self-produced part of those services, which Americans, instead, bought (Davis and Henrekson, 2004, Olovsson, 2009, Freeman and Schettkat, 2005, Burda et al., 2007, Aguiar and Hurst, 2007, Rogerson, 2008). However, the stereotype that European mothers cook more at home than their American counterparts - who eat out at restaurants more frequently - is not sufficient to belie the evidence that Europeans do indeed have more free time, as shown in Figure 7. 6.

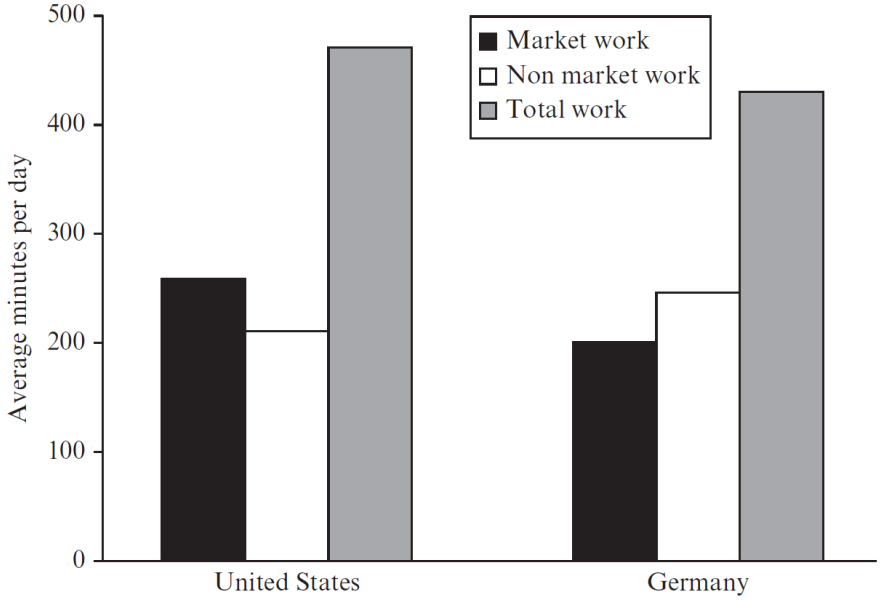


Figure 7. 6. Differences in the use of time between Germany and the US. Source: Bonatti 2008.

Moreover, one should not attach "much weight to those studies emphasizing that because the number of hours of home work has been reduced true leisure has increased" in the US (Stiglitz 2008, p. 46). The reason is that home work is often not a cost. "For a farmer to toil in his field is work but for a middle-class American or European to toil in his garden is pleasure. Cooking may be toil but for many individuals (…) on occasion cooking is a pleasure" (Stiglitz 2008, p. 46). Lastly, home work tends to strengthen family relations. Homes that are empty for the greater part of the day are obviously not fertile ground for nurturing family relationships.

5.2 Relational goods and happiness

Thus, America and Europe are different. The American economy has grown more and working hours have lengthened. To what extent can these international differences be attributed to the fact that defensive growth is stronger in the United States than in Europe? In other words, is it possible that a lower need of Europeans to defend themselves from relational degradation contributed to slow down the dynamics of working hours and growth?

If the answer is affirmative, we ought to observe better trends for happiness and relational goods in Europe than in America. This is exactly what is documented by Sarracino (2012) who retrieve data from the World Values Survey over the period 1980-2005. He shows that trends of happiness and relational goods have been generally mildly growing in Western Europe. Results are reported in the appendix to this chapter. The increasing trend of subjective well-being in Western Europe is confirmed by different data sets and different measures (life satisfaction rather than happiness), as shown in figure 7. 7, while figure 7. 8 shows the declining trend of happiness in US over the same period. Happiness continued to decline in the US also after 2007 (figure 7. 9).

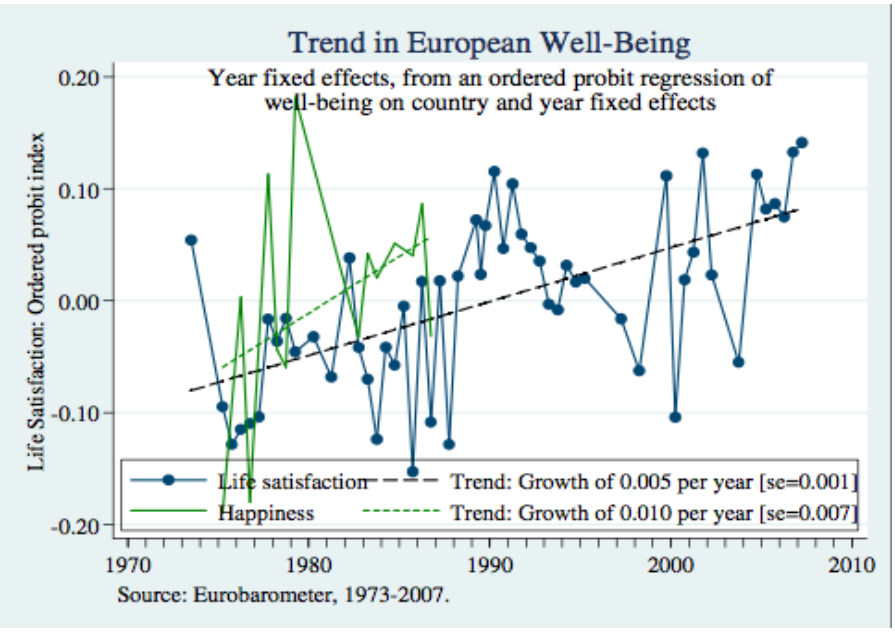


Figure 7. 7. Increasing average life satisfaction in Europe, 1973-2007. Source: Stevenson and Wolfers 2008, Eurobarometer data

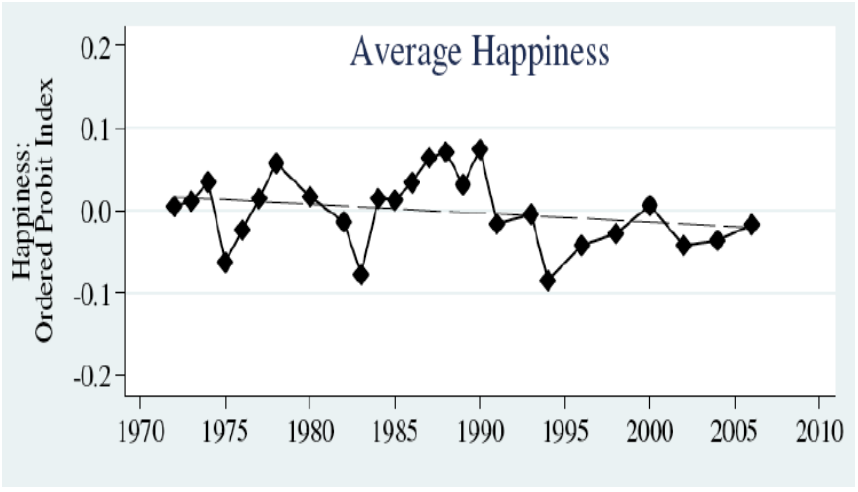


Figure 7. 8. Decreasing average happiness in the United States, 1972-2007. Source: Stevenson and Wolfers 2008, General Social Survey data

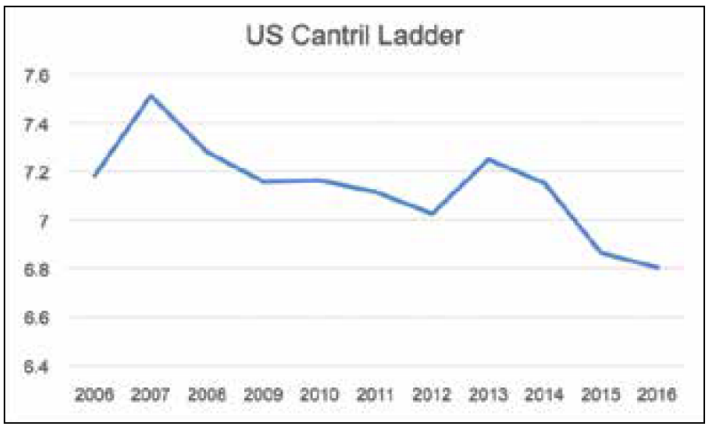


Figure 7. 9. Decreasing average happiness in the United States, 2006-2016. Source: Sachs 2017, Gallup World Polls.

5.3 Defensive growth, Europe, the United States

The disease of defensive growth seems to hit the United States more than Europe. American relational degradation could contribute to explain the greater US growth and the divergence in the trends of working hours and happiness in the Europe-US comparison over the past few decades. Evidence from the US-Europe comparison is consistent with the idea that defensive growth is less at work in Europe. In this context, the weaker European growth rate is not so much a sign of the greater dynamism of the socio-economic American model, as it is a consequence of the greater relational sustainability of the European model.

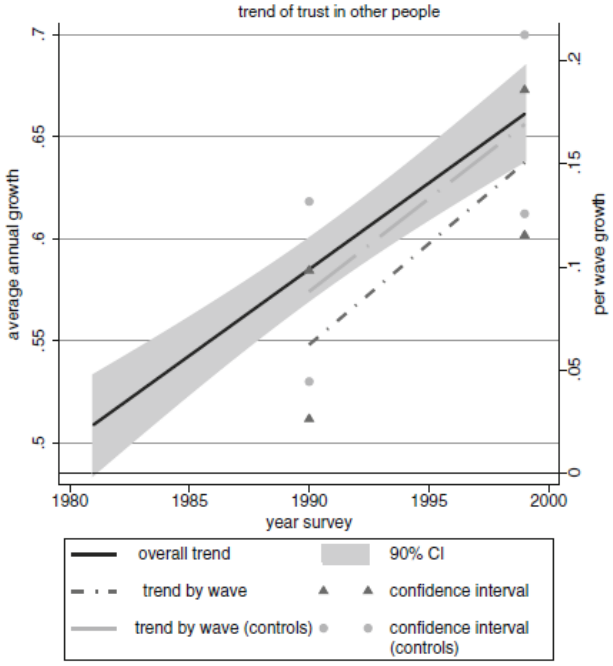
Lastly, I comment on suicide rates in Scandinavia, which, cliché-wise, are said to be particularly high there. This would then cast doubt on the excellent performance of the happiness trends documented by Sarracino for Sweden and Denmark. However, this commonplace is justified only for Finland. Suicide rates in Sweden and Norway are below the average of other industrialized countries. Between 1980 and 2000, suicide rates in Sweden and Denmark fell dramatically (by less than one third in Sweden, by half in Denmark), consistent with the positive trend of happiness and relational good (Helliwell, 2007).

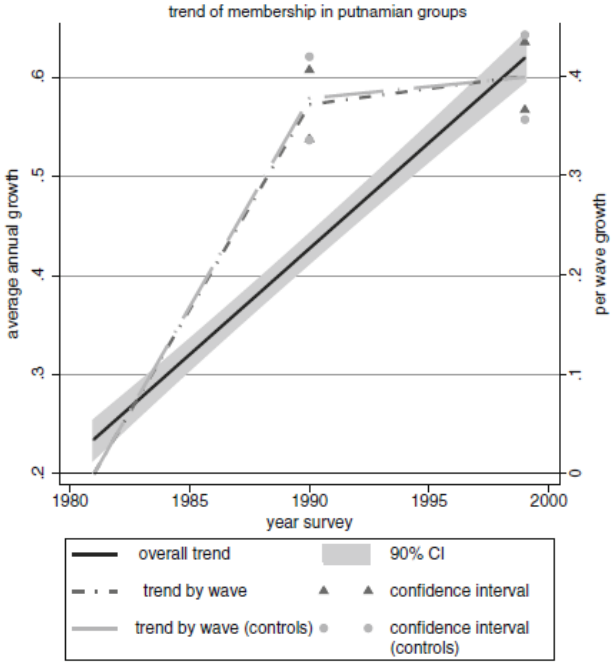
Appendix to chapter 6.

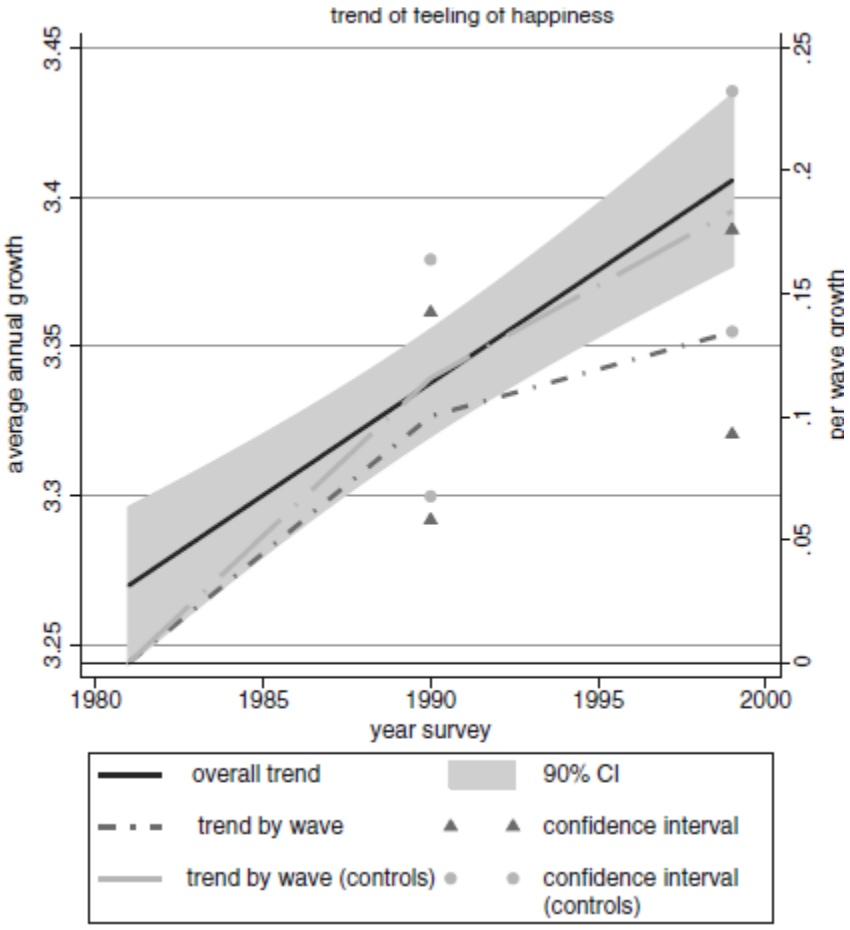
This Appendix reports the trends of happiness and relational good in 5 European countries: Denmark, Sweden , Italy, Germany and France. Graphs are drawn from Sarracino (2012). Relational good variables are trust and membership in Putnam's groups. These are the kinds of groups and associations that one joins for non-instrumental reasons, i.e. not in order to obtain a material advantage; they include associations for social welfare service for elderly, education, arts, or cultural activities, religious organizations, human rights, conservation, the environment, ecology, animal rights, youth work, sports or recreation, women's groups, peace movements, associations concerned with health, etc.

Each scatterplot shown in this appendix includes trends with and without controls for age, gender, number of children, attending religious services, marital status and work status.

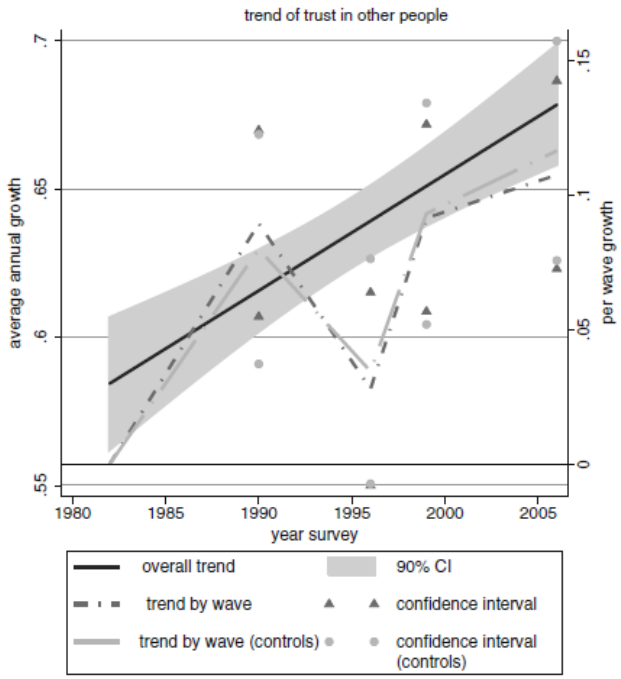
1980-2005: happiness and relational goods in Denmark

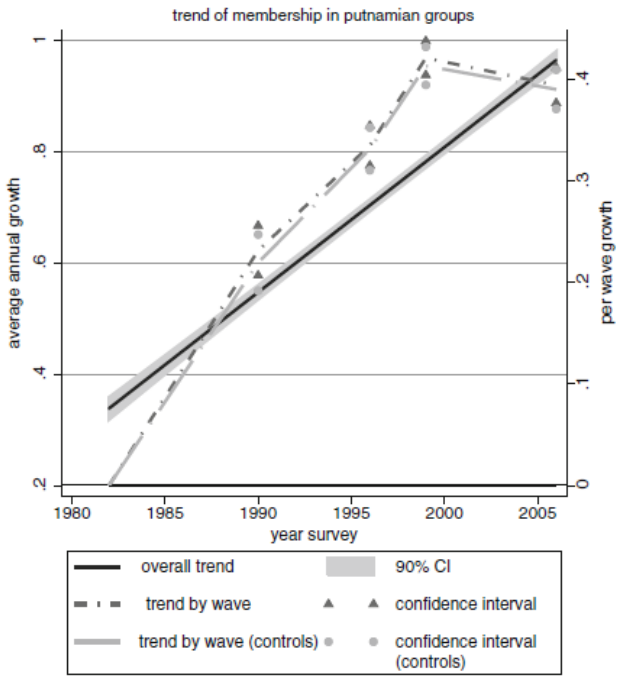


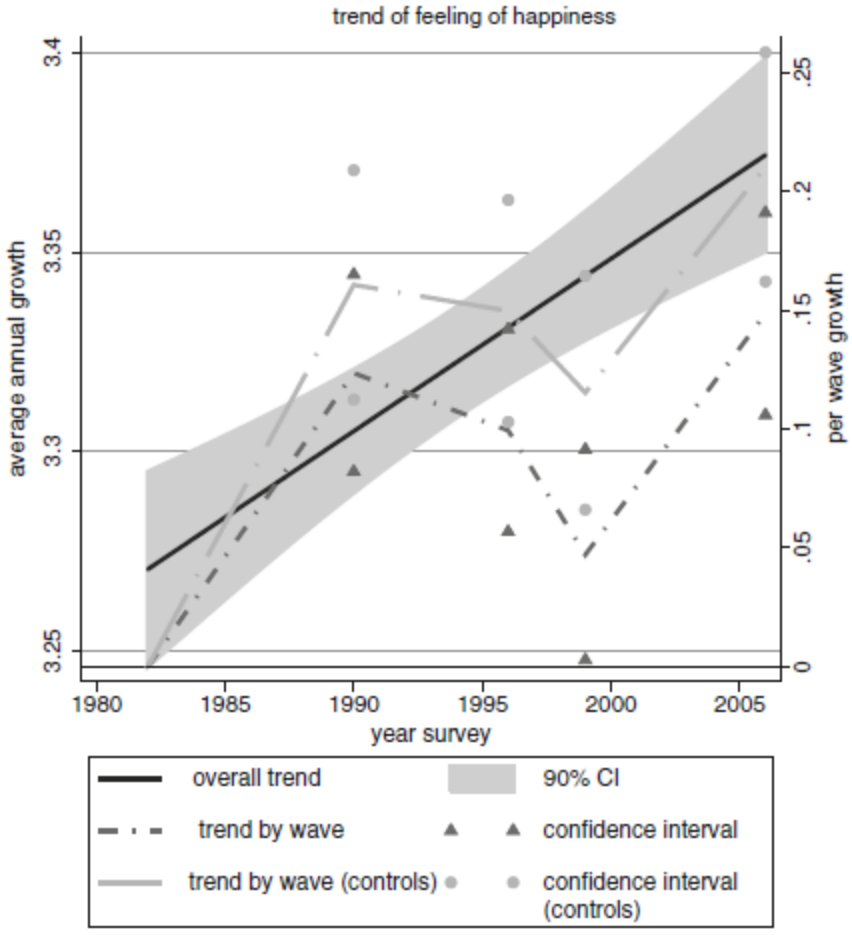




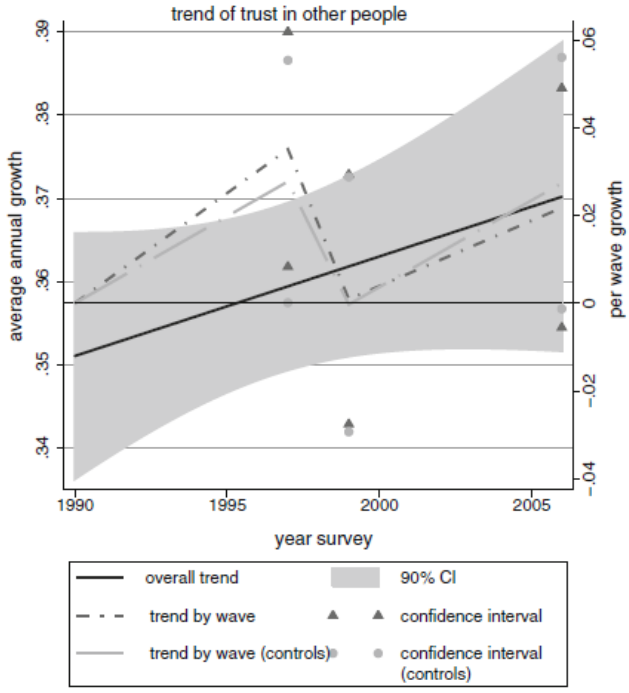
1980-2005: happiness and relational goods in Sweden

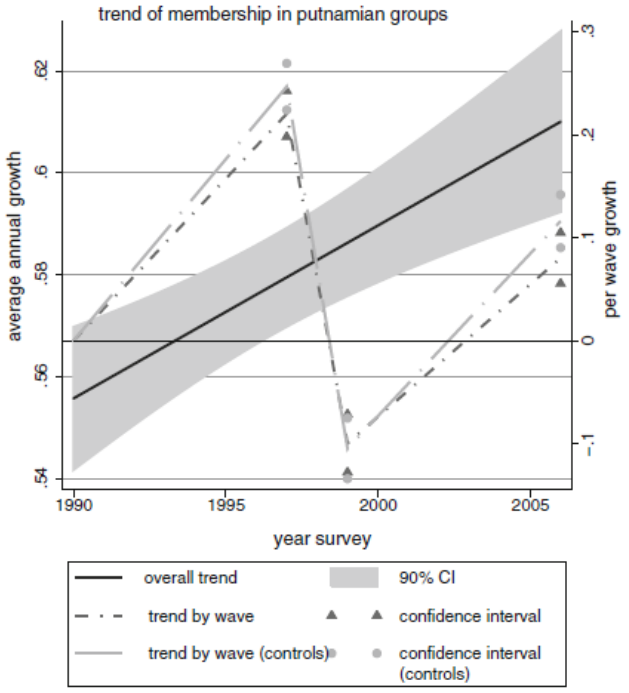


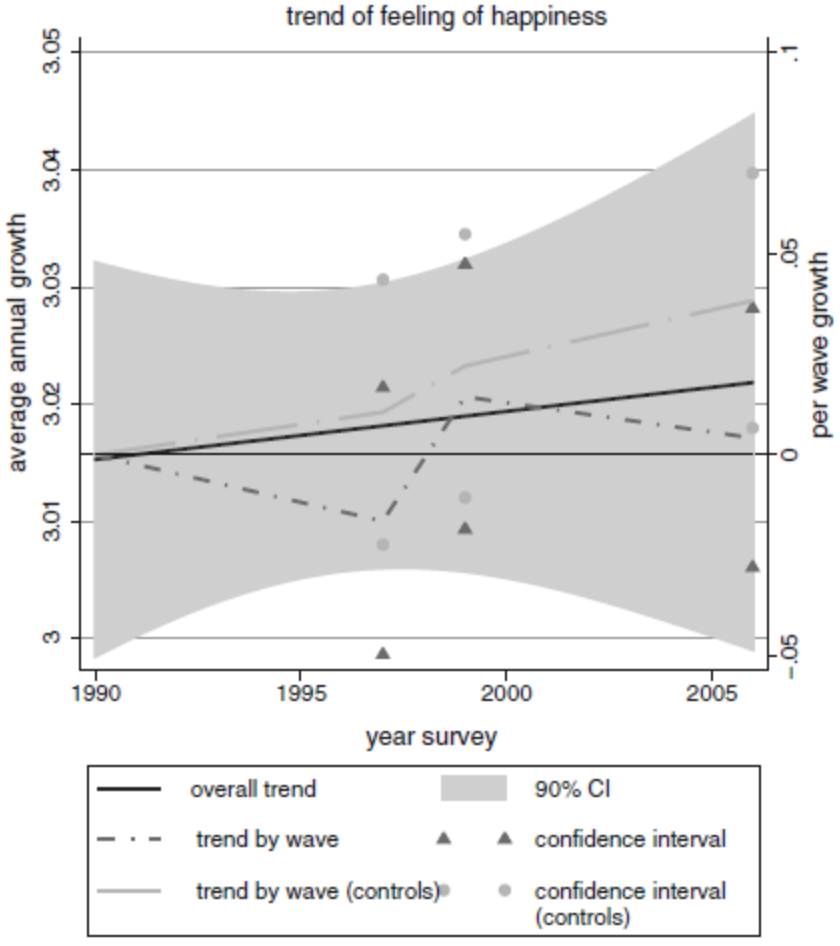




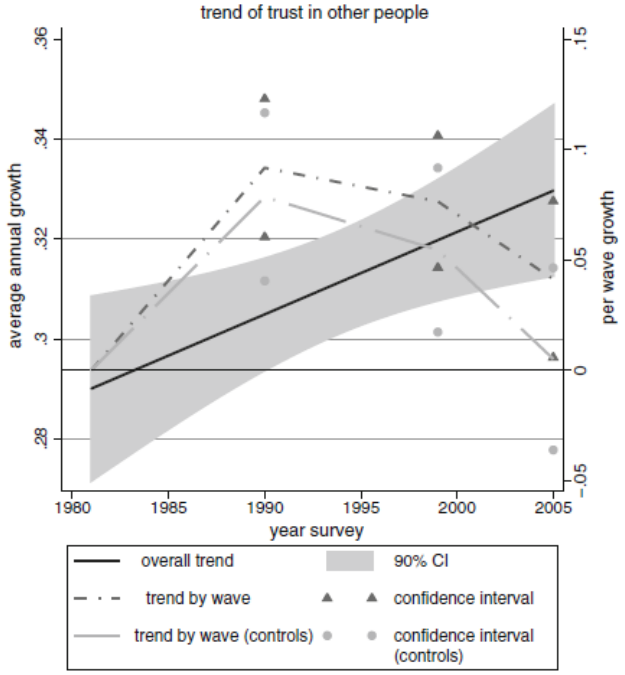
1980-2005: happiness and relational goods in Germany

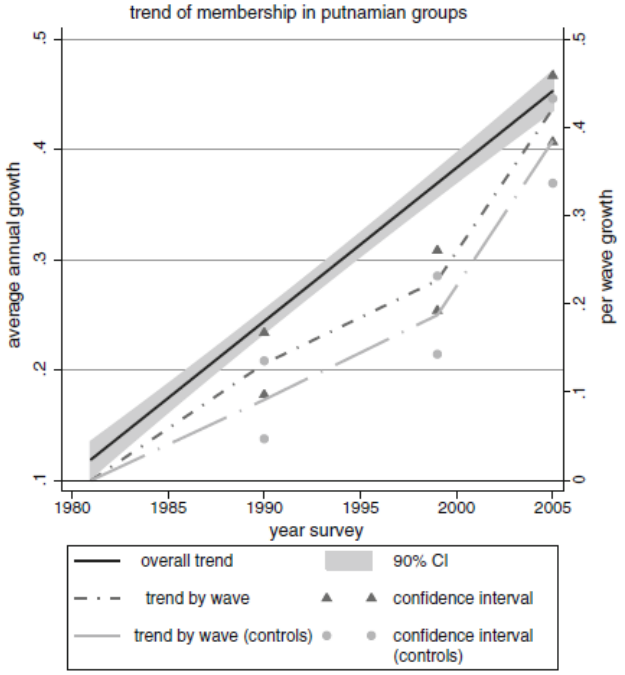


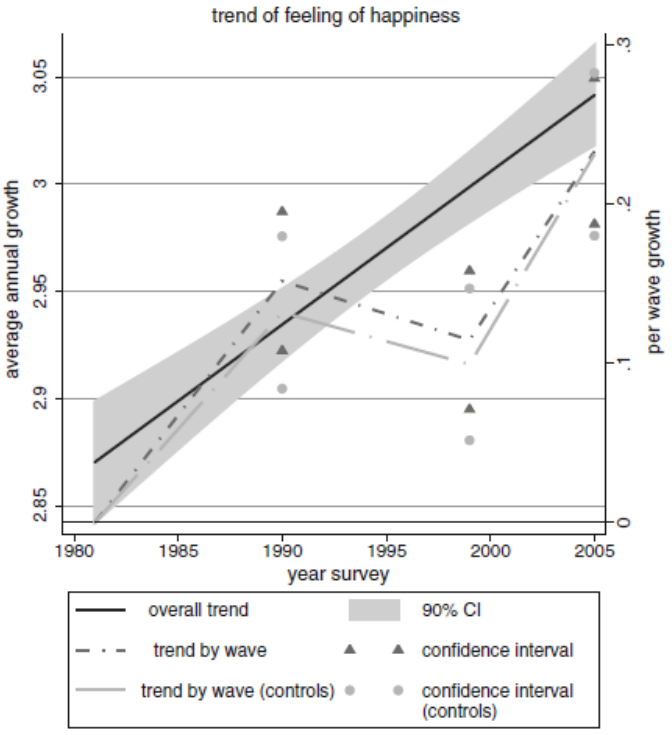




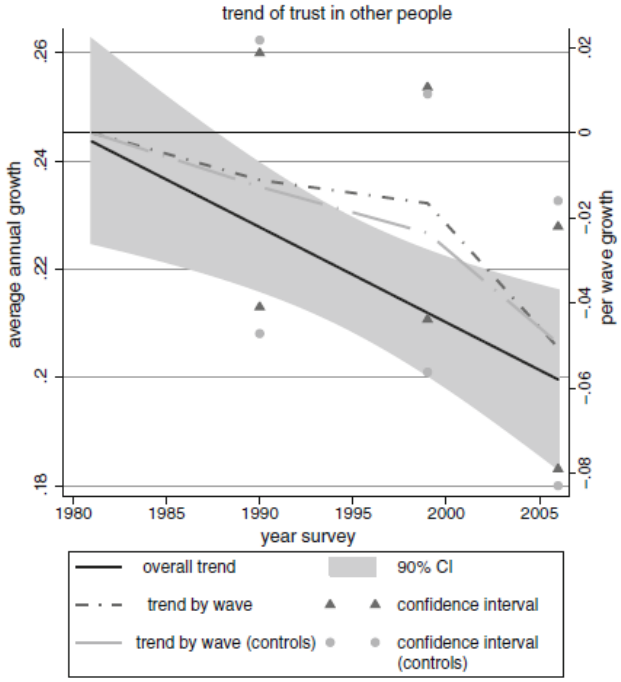
1980-2005: happiness and relational goods in Italy

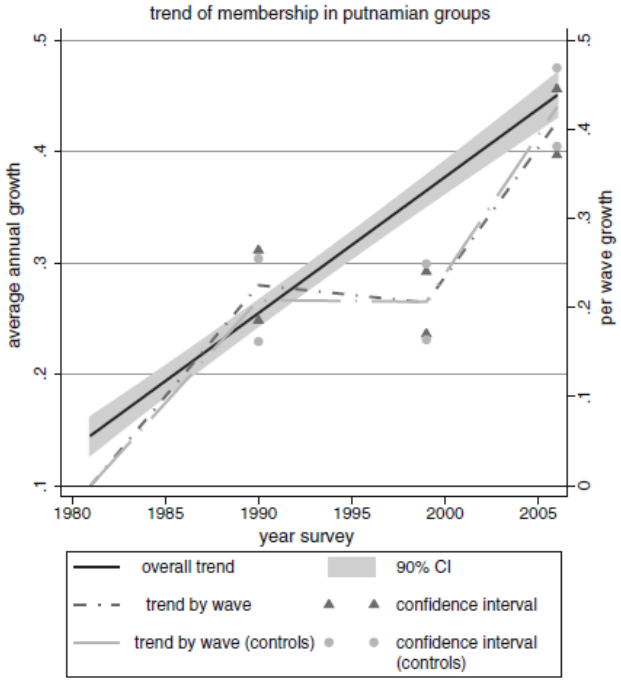


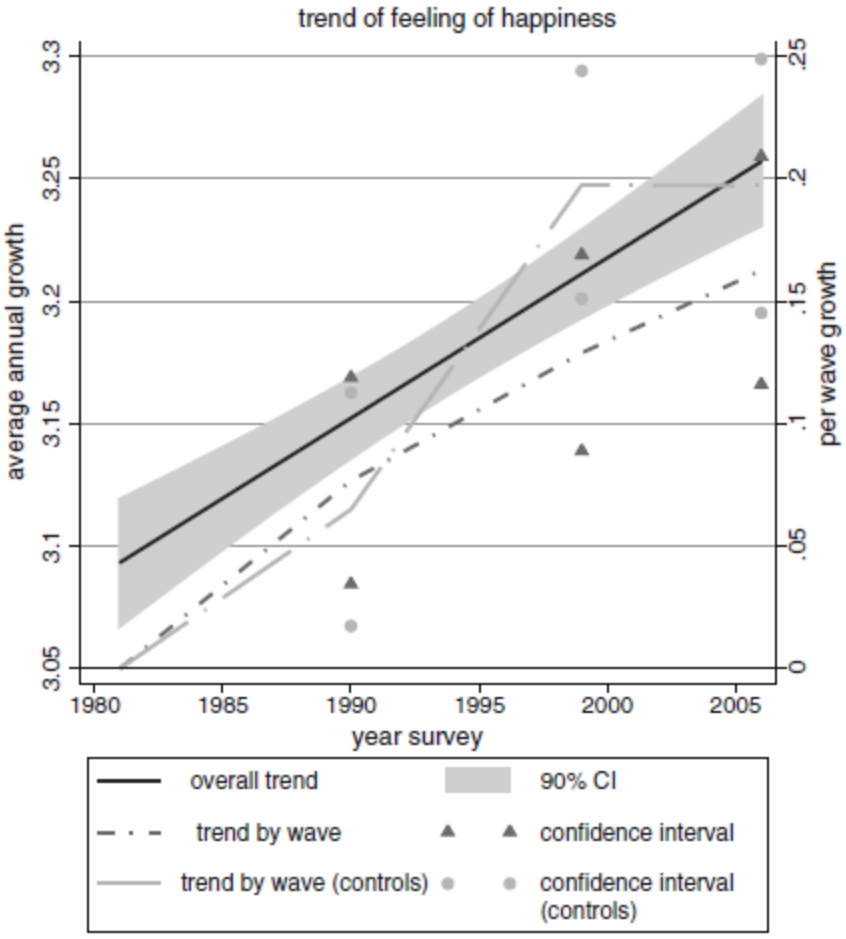




1980-2005: happiness and relational goods in France







PART THREE. What affects the quality of relationships?

What are the reasons for the epidemic of relational poverty in America? How did it happen that America built a social environment unfavorable for relationships?

Throughout this third part, I show that many studies in social psychology, sociology, evolutionary biology, anthropology, economic and social history, provide insights into this phenomenon. They suggest a link between relational decay and the focus on competition and possession of the social and economic organization over recent decades.

Decay of relationships in the US is presumably just an extreme version of a problem that has affected the western world for the past two centuries. In fact, Putnam's warning about declining social ties in America is just the last of a series that characterizes the history of capitalism. Rooted in two centuries of industrial history, concerns about community decline have a strong tradition in western culture. One could almost consider them an archetype of modern culture.

From the very start of the Industrial Revolution, nineteenth century critics generally saw the new social order as devastating for social ties. Market relations were considered responsible for the decline of traditional institutions as well as affective and social ties. Romantic, conservative and socialist critics of the Industrial Revolution saw the world shaped by the new economic order as destructive of social bonds. The metaphors used to describe the effects on traditional societies ranged from "dissolution", "erosion", "corrosion" and "contamination" to "penetration" and "intrusion" by the "juggernaut market". One could even argue that sociology itself arose as a result of concerns about the potential decline of communities due to industrialization and the advent of modernity. In this light, there are reasons to think that relational decay has a long history and that it has affected all of the western world, albeit less extremely than the United States.

Where does this erosion of relationships come from?

Chapter 8 - Markets, values, relations

1. The marketability of goods

What needs can the market economy meet? Goods are things that can meet human needs. To ask what needs markets are able to satisfy is akin to asking what goods can be transformed into commodities. In fact, a market economy meets needs by making goods tradable. Its success in generating well-being depends on the extent to which it is able to transform goods into commodities.

The commercialization of goods has required a complex process of capital accumulation and technological and institutional innovation spanning hundreds, if not thousands, of years. In fact, goods are not marketable in nature. In order for a good to be sold, it must have an owner. A condition for the exchange of goods is therefore the existence of well-defined and enforceable property rights, which enable the owner of the good to exclude non-owners from using it for free. In many cases, however, it may not be easy to prevent someone from accessing a good. According to North (North 1981, North and Thomas 1973), problems of exclusion have been the main obstacle to private property of land and tools for millenia.[1] The "invention" of the dog provided a fundamental contribution to the enforcement of property. Exclusion is a technical problem and for thousands of years barking and biting dogs were the main solution. Fences, alarm systems and access codes, like dogs, are exclusion techniques enabling enforcement of private property and, in turn, the expansion of markets to meet our needs.

Making goods marketable has huge advantages. The transformation of human knowledge into a commodity is a good example. North claims that the unprecedented acceleration of technological progress over the past two centuries was largely a consequence of the institution of property rights on inventions, namely patents. If an invention can be used for free, there is no incentive to produce it. Since the nineteenth century, the generations of inventors who created life-changing innovations would not have spent most of their lives in dusty laboratories if their inventions could not be sold. The commercialization of their inventions was made possible by the introduction of patents. This legal innovation underlies the acceleration in technological progress seen in the last two centuries,

[1] According to North, the last 10,000 years of the history of economic progress have been driven by the process of defining property rights, first communal and then private, over resources.

when each generation has disposed of technologies unknown to the previous generation. Before then, each new generation used more or less the same technologies as the previous generation.

Yet, intellectual property is only a partial solution to the problem of stimulating the production of knowledge. The main obstacle is the difficulty of preventing the free circulation of information. The simplest solution has been to incorporate knowledge into material objects. The knowledge incorporated in a new type of engine or agricultural machine cannot be transmitted freely because its use requires purchase of the object in which the knowledge is embodied. This is one major reason why the market society has been able to make such massive progress in the field of material objects.

However, private property does not solve issues related to forms of knowledge that are difficult to make marketable. Indeed there are many forms of knowledge that would be extremely useful but are not produced because it would be impossible to prevent their massive free diffusion. In the fifth part, I show that this issue is very important as far as medical knowledge is concerned.

This suggests that the flip side of the enormous success of the market system in generating technological progress is the tendency to allocate an excessive amount of human ingenuity to the production of marketable knowledge, while neglecting knowledge that is difficult to commercialize.

Being marketable is therefore not the natural condition of a good. The construction of the marketability of goods is a long and complex historical process. Some crucial goods, however, stubbornly resist commercialization. For instance, no one can sell us better air because air cannot be privatized. Air is inherently non marketable.

Relational goods are untradeable as well, for motivational reasons. Goods are sold for instrumental reasons, i.e. for profit. Relationships, on the other hand, must be genuine in order to be fulfilling and heartfelt, i.e. they must be motivated by a non-instrumental interest in the relationship itself. Markets are therefore unfit to meet affective needs because buying “affective services” deprives them of their very essence, which is rooted in people’s desire to feel worthy of love.

2. Changing values

The inability of a market economy to meet relational needs does not suffice to explain the decline in relationships. The fact that markets are unable to produce relational goods does not mean that they must destroy them.

The decline of communities over the past two centuries was attributed to the expansion of market relations. This explanation rests on the idea that market relations change people's personal values. Orienting behaviors towards personal advantage promotes materialistic values that have a negative impact on relations and on the community sense of belonging (Hirsh 1976, Polanyi 1968).

The progressive spread of materialistic values in the United States is robustly documented. The percentage of university students who regarded a good economic situation as an essential life goal was 39% in 1970. This percentage had increased to 74% by 1995, making it the main life goal, outweighing all other goals including raising a family (Myers and Diener, 1997).

Another example can be observed in Table 8. 1, which shows changes in the components of a good life, according to a representative sample of the American population, in the period 1975-1991.

	1975	1991
A lot of money	38	55
A job that pays much more than average	45	60
Happy marriage	84	77
One or more children	74	73
Interesting job	69	63

Table 8. 1. United States: percentage of persons identifying the listed items as components of a good life. Source: Schor, 1998

The percentage of respondents who considered it important to have a lot of money increased sharply, as did the share of those who consider it important to have a job paying much more than average. The importance of the only two relational variables considered (a happy marriage and having children) decreased. Having an interesting job lost importance as well.

Similarly, Easterlin and Crimmins (1991) found that American youth had become far more materialistic in the 1980s than it had been in the early seventies. More recently, Twenge and Kasser (2013) reached the same conclusion after investigating a large sample of high school students drawn from the American survey ''Monitoring the Future''. They found that materialism rose substantially

among twelfth graders from the mid-1970s to the late 2000s. Interestingly, these studies belie initial optimism (Yankelovich 1981; Bellah et al. 1985) about a decline in materialism in the 1970s in America. The upsurge in materialism seems to have begun in the late 1970s/early 1980s.

3. Materialism and relational poverty

Money has increasingly become the most important thing. How well established is the idea that materialism is responsible for worsening relationships? Social psychologists have investigated the link between materialism and the quality of interpersonal relationships in dozens of quantitative studies, using various methods and population samples. An excellent review of these studies is provided by Tim Kasser in his book “The High Price of Materialism”.

Materialism is defined as a system of personal values that ascribes high priority to extrinsic motivations and low priority to intrinsic motivations. The term extrinsic stands for motivations that are external to an activity, such as money. Conversely, ‘‘one is said to be intrinsically motivated to perform an activity when one receives no apparent reward except the activity itself’’ (Deci 1971, p. 105). In short, extrinsic stands for instrumental, whereas intrinsic means non-instrumental. For instance, one can work for money (an extrinsic motivation) or because it is interesting (an intrinsic motivation). Put bluntly, materialistic individuals tend to prioritize money, luxury consumer goods and success as life goals, while attributing lower priority to self-actualization, affection, human relationships, solidarity, civic engagement and prosocial behaviors in general. Personal values define priorities in a person’s life. A higher priority attributed to material goals is associated with a lower priority given to intrinsically motivated goals.

These psychological studies show that the more people care about money, image and status, the lower their well-being and the higher their distress. Such results have been obtained with several measures of well-being (see Kasser 2002 for a review). Materialistic individuals are unhappier, more dissatisfied with their lives, and they experience positive emotions (such as joy and contentment) less frequently. They have higher chances of falling prey to mental disorders such as anxiety and depression and they are more frequently victims of unpleasant emotions (like anger, fear and sadness). They also watch more TV, use more drugs and alcohol, and are unhealthier. Indeed, more materialistic people are more frequently subject to psychosomatic disorders, such as headaches and digestive complaints, and are at higher risk of cardiovascular disease (Keyes 2004).

A reason for their lower well-being is that the relationships of materialistic individuals tend to be poor in quality. Kasser and Ryan (1993) showed that students with higher materialistic priorities report lower quality relationships with friends and lovers. Their relationships are shorter and often characterized by negative feelings, such as jealousy or emotional extremes. Sheldon and Flanagan find that materialism in young people is associated with more frequent aggressive and conflicting behavior against their romantic partners, such as arguing, insulting, swearing, pushing, grabbing, shoving and physically hurting. According to a study by Cohen and Cohen, materialism is associated with various personality disorders characterized by relational difficulty. The study considers schizoid, schizotypal and avoidant individuals that have difficulties building relationships, borderline and narcissistic individuals who tend to be self-centered in their relations with others, and paranoid individuals who have difficulty trusting others. McHoskey finds that individuals with higher aspirations for economic success are less likely to engage in pro-social activities such as lending money to friends and volunteering.

Experimental evidence supports the thesis that the pursuit of money plays a causal role in determining these relational outcomes. In one experiment, compared to subjects who unscrambled neutral words, subjects who unscrambled words having to do with money later behaved in less helpful and generous ways (Vohs, Mead and Goode, 2006). In another experiment, those who had viewed images of luxury consumer goods were less interested in relational activities than those who had viewed neutral images (Bauer et al. 2012).

In conclusion, the close link between relational poverty and materialism suggests that the spread of materialism is a plausible culprit of relational degradation in the long term.

Box. How to measure materialism

Several methods are used to measure individual materialism (Kasser 2016). In some cases materialism is observed through survey questions asking respondents to state how much they agree with statements such as ‘‘Some of the most important achievements in life include acquiring material possessions’’, ‘‘I would rather buy something I need than borrow it from someone else’’, ‘‘I like to own things that impress people’’ and ‘‘I like a lot of luxury in my life’’ (Belk 1985; Richins and Dawson 1992). In other cases, respondents are asked directly how much importance they attach to issues such as spirituality, family, hedonism and conformity. The answers are then aggregated into indexes to summarize how much being ‘‘financially successful’’, having ‘‘a lot of expensive possessions’’, being ‘‘admired by many people’’ and keeping up ‘‘with fashions in clothing and hair’’ is important to the respondent (Kasser and Ryan 1993, 1996, 2001). Other studies have assessed the degree of people’s materialism by asking them to freely list their goals and subsequently to rate how much each goal is important for achieving various ‘‘possible futures’’. Some of the possible futures feature materialistic outcomes (Sheldon and Kasser 1995, 1998, 2001). Finally, more sophisticated methods involve computer-assisted techniques to measure the relative speed with which people associate the words ‘‘I’’ and ‘‘me’’ with words recalling expensive (e.g. diamonds) and inexpensive (e.g. flowers) goods (Solberg et al. 2004).

4. Why does materialism erode relations?

Why do materialistic values have a negative influence on the quality of relational experience? Many studies show that more materialistic individuals have relational attitudes that explain the low quality of the relationships they experience. Kasser (2002) uses the term objectification - considering others as objects - to denote the low generosity, empathy, cooperation and genuineness, and the high cynicism and distrust exhibited by persons with high material aspirations.

A study by Belk shows that materialistic individuals are less generous. Sheldon and Kasser (1995) show that they are less likely to be empathic. Empathy is defined as the ability to consider the point of view of others. Empathic people agree with statements such as “before criticizing someone, I try to imagine how I would feel if I were in their place”. They disagree with statements such as “if I am sure I’m right about something, I do not waste much time listening to other people’s arguments”. McHoskey finds that individuals with high scores in Machiavellianism tend to have cold

interpersonal relationships and narcissistic and psychopathic behavior. Machiavellianism involves cynicism, distrust of others and self-centered relationships. It is strictly related to materialism, which is in turn associated with more prejudicial and authoritarian interpersonal attitudes (Duriez et al., 2007) and with more competitive and less cooperative behavior in social dilemma games (Sheldon, Sheldon and Osbaldiston, 2000).

5. Crowding out of motivations

What causes materialism to spread? The main reason lies in the nature of the economic system. The starting point of my explanation is the Motivation Crowding-Out Theory that began to be developed in the 1970s. The sociologist Titmuss (1970) sustained that monetary incentives for donating blood would lower, not increase, people's willingness to donate blood.

At the same time, the psychologists Deci and Ryan conducted an experiment in which they proposed to two groups of people to play with SOMA puzzles, cubes composed of different geometric shapes. One group was given monetary compensation, the other none. Deci and Ryan observed that once the experiment was concluded, the unpaid individuals continued to play with the puzzles for much longer than those who were being paid. More recently, Gneezy and Rustichini (2000) showed that when fines were introduced for parents who picked up their tots late from day-care centers, the number of late pickups doubled and tardiness lengthened. When these fines were later revoked, the number of late pickups remained persistently higher than before their introduction.

This evidence undermines a core assumption of economic theory, namely that economic incentives aimed at promoting a certain behavior will increase people's willingness to behave in that fashion. These results have been replicated in many studies on adults and children, in many spheres of social life, using various types of reward.

The explanation for these results proposed by the motivation crowding-out theory is based on the distinction between extrinsic and intrinsic motivations. The theory claims that these motivations do not sum but tend to substitute each other, i.e. to crowd each other out. For example, introducing a monetary motivation for donating blood does not sum with the motivation stemming from civic sense or solidarity, but it crowds it out. This is why the supply of donated blood could decrease if monetary compensation is introduced. Offering a reward for playing SOMA does not increase people's willingness to play; instead it crowds out its intrinsic appeal. Introducing fines for parents

who pick up their children late from nursery schools does not sum with their sense of responsibility towards the school, but replaces it. This is why late pickups actually increase if fines are introduced.

Deci and Ryan believe that monetary compensation undermines intrinsic motivations because it changes people's perception of why they do what they do. Being motivated to do something for fun or for civic reasons is different from doing it for money, and these two motivations cannot sum together. Individuals do not sum the instrumental and non-instrumental reasons for their actions, but tend to focus on one prevailing reason for doing things.

Our need to give a sense to our actions underlies the crowding out of motivations, because giving our actions a motivation in essence means giving them meaning.

6. Why do market relations spread materialism?

The crowding out of motivations suggests that the economic system provides an answer to our need to know why we do what we do. The market economy is the first attempt in history to organize an economy based exclusively on extrinsically motived relationships, yet this attempt tends to erode relationships. The reason is that market relations change the perception of why we are involved in relationships. Market relations suggest that the reason is instrumental, i.e. that we engage in relationships for personal and material advantage. The market system therefore generates materialism because it emphasizes the human capacity to act for extrinsic motivations. The market gives a meaning to our relationships, namely that their motivation is instrumental.

Thus, the organization of economic relations on the basis of extrinsic motivations conveys a value system based on an anthropological assumption, namely an idea about what kind of animals human beings are. This assumption tells a story about why such beings have relationships. *Homo economicus*, the hypothetical human on which mainstream economic theories are based, is this anthropological assumption in a nutshell. *Homo economicus* is asocial. He bases his choices on calculations of personal advantage and disadvantage and is devoid of any ethical, affective or pro-social dimension. *Homo economicus* provides an answer to our quest for meaning because he gives sense to the type of activities and relationships in which we normally engage. He tells us that we engage in them for instrumental reasons, not because they have any intrinsic goal. The market system, fully in line with this vision, organizes economic activity ignoring intrinsic motivations. This is why it spreads a value system that gives low priority to intrinsic motivations.

7. Does relational poverty generate materialism?

Materialism not only generates relational poverty but finds fertile ground and prospers therein. Various psychological studies suggest that children who have poor relationships with their parents are more likely to become materialistic adults. The reason seems to be that less nurturing parents make their children feel insecure and therefore vulnerable to social messages that promise security and social approval through consumption.

Kasser et al. (1995) document that eighteen-year-olds whose mothers are supportive, affectionate and appreciative, who allow them to express their opinions and personal inclinations and who impose few rules and limits are less likely to become materialistic and more likely to accept themselves as they are, to have good relationships and to participate in and contribute to community life. Patricia and Jacob Cohen showed that possessive parents who punish their children harshly when they misbehave tend to have children who become materialistic as adults.

Parents with such attitudes are unlikely to meet their children's need for security. Materialism thus becomes a compensatory response to insecurity. Striking confirmation is provided by a study regarding "terror management" conducted by Kasser and Sheldon (2000). They randomly divided a sample of college students into two groups. One group was asked to write about their own death (the condition of terror), while the control group was asked to write about music. This amounted to experimentally activating feelings of insecurity, since the thought of one's own death engenders great sense of insecurity. After the experiment they measured materialism in the two groups. Participants were asked to score their expectations regarding their future financial worth and pleasure spending. Compared to those who wrote about music, those who wrote about death reported higher expectations for both items. The average expected expenditure on pleasure of the "death" group was double that of the "music" group. This suggests that experimentally induced insecurity drove subjects towards more materialistic aspirations.

In conclusion, there seems to be an effect that drives materialism and relational poverty in a self-feeding circle. Relational poverty during childhood leads to greater materialism in adulthood, which, in turn, is associated with poor relationships. This mechanism is further reinforced by intergenerational transmission of values. Kasser (2002) argues that the values of parents strongly influence those of their children.

These results are consistent with the findings of the investigation on hours worked conducted by Bilancini and myself. Although our study did not directly examine the importance of money in people's values, it showed that hours worked, a concrete expression of the importance of money, burgeoned amidst relational poverty.

8. Materialism and relationship with oneself

Aside from being associated with poorer interpersonal relationships, materialism leads to difficulties in the relationship with oneself. The aspects of people's self-relationships considered in this section relate to self-esteem, autonomy and authenticity of self-expression.

Materialistic individuals tend to have self-esteem problems; they feel inadequate and unworthy of attention or love. Low self-esteem, in turn, derives partly from growing up in a cold and uncaring family environment (Kasser 2002). Materialism and low self-esteem seem to have a common root in children's parental relationships.

Individuals oriented towards materialism also have less sense of autonomy. They feel less free to choose and act as they wish, and they feel that their lives are less self-determined. They tend to do certain things because they feel pressured or even coerced to do so, or because they would be ashamed, guilty or anxious if they did not (Srivastava et al 2001, Faber and O'Guinn, 1992).

Similarly, an inclination towards materialistic values leads to a lower perception of authenticity of self-expression. Cohen and Cohen (1996) show that materialism among teenagers is associated with less concern about being "myself no matter what" and "understanding myself".

The reason for the poor quality of the relationship with oneself of materialistic individuals is that they value intrinsic motivation less. Intrinsically motivated activities go far beyond relationships. One can be intrinsically motivated at work and in non-relational leisure activities. The reason for the conflict between autonomy/authenticity and materialism lies in the fact that they represent two different motivational systems. Materialism derives from motivations based on external gratification, such as rewards and praise, whereas freedom and authenticity derive from intrinsic motivations involving personal inclinations, pleasures and challenges. According to Kasser (2002) The problem seems to lie in the fact that materialistic individuals tend to have little insight into their own needs for autonomy and authenticity. The latter are "basic psychological needs" and belong to the sphere of intrinsic motivation.

So on one hand, materialistically inclined people make different choices than others would. On the other, they experience different feelings from those of less materialistic individuals while doing the same things. One can recycle garbage out of a desire to help solve the urban waste problem, or because of pressure from a partner or because of fines for not recycling.

9. Materialism in Europe

Where does Europe stand? Is the triumphal march of materialism blazing its trail in Europe at the same impressive pace as in the United States? These are not easy questions to answer because there is much less data on the evolution of materialism for Europe than for the US.

Hellevik (2003) finds that compared to the late 1980s, around 2000 the Norwegian population had a more materialistic value orientation and that this trend could be a factor contributing to the stagnation of Norwegian happiness over the same period.

There have been few studies on the trend of materialism in Europe because the data is scarce and fragmentary. The World Values Survey and the European Values Study are the only sources of internationally comparable time series of measures of materialism in European countries and the US. Using this dataset, Sarracino and I (2016) compared materialism trends over the period 1980-2005 in the US and six major European countries: France, Spain, Italy, Germany, Great Britain and Sweden. We found divergent trends. While materialism increased in the US, it decreased in Europe. However, a number of mixed patterns arise. In particular, Great Britain, Spain and Sweden showed symptoms of an increase in materialistic values, although they were far less pronounced than the American figures.

Chapter 9 - The media as factory of desires

1. The intensification of competitive spending

In the last chapter, I argued that expansion of the market system is responsible for the spread of materialistic values. Among the institutions typical of a market economy, one holds the lion's share in shaping values: the media. Media exposure boosts social comparisons. People compare their consumption standards to those of their reference groups. Competitive spending is not new, especially in American society. However, while in the past reference groups mostly consisted of neighbors and colleagues, today this is no longer true. How could it be, if we no longer know our neighbors?

What has changed is the nature of reference groups. The media has replaced our neighbors and colleagues with a vast group of good-looking, charming, wealthy, well-dressed characters who populate our imagination. As long as social comparisons concerned people like us with roughly similar incomes, they caused no great harm to our well-being. However, when those we want to emulate earn 5 or 10 times more than we do, comparisons become a factory of dissatisfaction. Indeed, dissatisfaction is the predictable result of unattainable consumption goals.

2. Media and marketing

The media and marketing have played a central role in boosting consumption aspirations, as explained in two books by Juliet Schor (1998, 2005); these books are the source of most of the information given below.

Research on the relationship between the media and the perception of reality shows that heavy TV viewers have an inflated perception of the average affluence of Americans, since television focuses on middle to upper-class lifestyles. Heavy viewers believe opulence is normal and greatly overestimate the proportion of the population that owns luxury goods (Gerbner 1999; O'Guinn and Shrum 1997). They also report higher material aspirations (Shrum et al. 2005), consume more and save less (Schor, 1998).

Another way the media promotes materialism is by spreading fear. As we saw in the previous chapter, materialism can be a reaction to insecurity. Heavy TV viewers tend to overestimate crime levels and be more afraid of immigrants (Gerbner 1999). Obsessive coverage of crimes, especially those committed by immigrants, generates disproportionate insecurity that fuels materialism.

The spread of materialism has been sustained by the high level of sophistication achieved by advertising, which has increasingly turned to marketing life-styles rather than products. Those promoting the sale of material objects are well aware of the importance of non-material needs. Marketing is increasingly aimed at persuading people of the non-material benefits of buying; these include social inclusion and ultimately happiness. The advertising industry's secret is not to provide information on goods, but rather to create an association between a product and positive emotions. For the marketing of a product to work, it must evoke something different than the product, it must evoke identity.

How to link personal characteristics with consumption has become the beacon of marketing research. Huge sums have been spent to find out what type of woman buys one kind of soap rather than another, or who drives one car rather than another. The dominant belief among advertisers is that consumption has become a form of individual expression. The philosophy "I shop, therefore I am" was clearly expressed by the CEO of a large multinational consumer product corporation: "The brand defines the consumer. We are what we wear, what we eat, what we drive. The collection of brands we choose to assemble around us has become the most direct expression of our individuality, or more precisely, our deep psychological need to identify ourselves with others" (quoted by Schor 1998, p. 57).

Thus, marketing agencies select their messages based on what they think will trigger people's deepest psychological needs. This is why advertising slogans are non-material: they speak of love, security and social approval. Marketing has shouldered the task of inventing substitutes for declining free goods, becoming an engine of defensive growth. In the fairy-tale world of marketing, products are perfect substitutes for love, because the love between a consumer and a product flows both ways. In real life, however, products stubbornly refuse to express any feelings and inevitably end up disappointing us as substitutes for love.

This evolution of marketing has profound effects on people's lives. Many people would like to have qualities they lack: beauty, youth, wealth, success in their work and the admiration of others.

Perseverance, effort, ingenuity and courage are needed to acquire some of these qualities; others, like beauty and youth cannot be acquired. We have to resign ourselves to not having them.

In both cases, the message of advertising is deceptive. Marketing, in fact, has evolved to include such qualities in products. It is not selling orange juice but vitality, not cosmetics but beauty, not cars but success. Thus marketing tricks people into thinking they can buy these qualities.

For people who cannot acquire the desired qualities, the predictable outcome is frustration and dissatisfaction. For qualities that can be acquired, customers' energies are deviated towards purchases. Marketing diverts them from directing their energies towards activities that would improve their lives. Thus many parents end up thinking that the well-being and protection of their children can be achieved through purchases. To do so, they must work a lot instead of dedicating their time and energy to their children, the real way to promote their children's well-being (Bosco 1982).

3. New frontiers

At the turn of the millennium, the advertising industry clarified its new ambitious dreams, summarized as follows by Schor (2005): "There are places where people go to escape their worries. Where their defenses are down. Happiness abounds. And their minds are as malleable as putty. Sounds to us like the perfect opportunity to stick your product in their faces" (Eventive Marketing sales brochure) (p.69). An advertising manager claimed that we need to create a "360-degree world" in which the consumer is "constantly bombarded" (p. 75). A holistic approach was invoked: "Surrounding almost every move you make, that would be the ideal" (p. 75).

The new frontier of advertising mixes an ambush and siege approach, meaning that the target of advertising should be besieged, but as disguisedly as possible. Advertising works best when people do not recognize it as advertising. Thus, new advertising techniques are designed to blur the boundaries between everyday life and advertising, as in real-life and viral marketing. Examples of real-life marketing involve identifying trend-setting places and people and using them for camouflaged marketing: paying young people to request certain songs on radio programs; paying trendsetters to drink certain drinks in cool nightclubs, and so on (Schor 2004). Viral marketing involves: brand ambassadors, i.e. corporations hire people to recommend products to their friends; brands appear in films, TV shows and on social networking sites; products are mentioned in pop

songs and books; celebrities endorse products; brand-sponsored films and games are disseminated by e-mail (Nairn 2014).

The effectiveness of such marketing techniques rests on people not being aware of their marketing nature. This makes the marketing stimulus more likely to be processed implicitly. People process advertising stimuli, like any other stimuli, in two ways: implicit processing is automatic and impulsive; explicit processing is controlled, reflective, deliberative (Nairn and Fine 2008). Implicit processes are hard to control because they are activated automatically and without our awareness, whereas we are aware of explicit processes and they take time and effort. The problem with television ads is that they are clearly ads and therefore more likely to be processed explicitly. Awareness that we are watching an ad alerts our skepticism and defenses.

What advertisers at the turn of the millennium failed to realize was the degree to which the digital revolution would help them surpass these limits and facilitate their disguised invasion of lives.

4. Digital advertising

Brands are shifting their advertising onto the internet. There are four reasons why internet advertising is much more effective than TV campaigns (Nairn 2014, Chester and Montgomery 2009). The first is *ubiquitous connectivity*. Unlike TV, where people are exposed to ads for a very short time, today's almost constant connection to technology makes the dream of a 360° advertising strategy come true. Messages arrive from all sides: TV, phone, internet, games consoles and streets.

The second reason is *behavioral targeting,* where ads are selected on the basis of people's Internet searches and emails. A casual mention to drinking cola in an email to a friend is likely bring up ads for Coca Cola while browsing. This personalization of marketing is promoted by the enormous quantity of data about individuals in the hands of corporations, enabled by digital technologies.

The third is *social media marketing.* Facebook in particular allows marketers to exploit social relationships for brand campaigns. A simple gesture like clicking the "like" button can create powerful word of mouth advertising. Social network monitoring can identify the most influential persons in a network, enlisting them to help transmission of the brand message (Chester and Montgomery 2009).

The fourth feature of digital advertising is *immersion*. Advanced multimedia technology now creates engrossing virtual worlds with interactive games for kids and teens. Many of these games are free to play because they are funded by "in-game product placements". The products may be part of the game's storyline and can be interactive so that the brand message is tailored to the player.

5. Neuromarketing

In this crescendo of marketing ingenuity, great efforts are made to understand which marketing stimulus captures the attention of consumers, stimulates their positive emotions and is implicitly processed. To this end, marketers now look directly at what happens inside the brain, using so-called "neuromarketing" techniques.

Neuroscientists have mapped the human brain and know that if we activate a certain area of the brain, it is because we are experiencing a certain emotion. They use brain imaging techniques to monitor which areas of the brain a person is activating at a given moment. In short, it is possible to monitor our brains and understand what we are feeling, moment by moment. These techniques of neuroscientists form the basis of neuromarketing (Lindstrom 2008). Brain imaging is the El Dorado of marketing, the ultimate goal of which is to discover the "buy button" in the brain. Knowing what we are feeling when we watch an ad or see a product offers unprecedented opportunities to the advertising industry. Neuromarketing has complemented brain imaging with other techniques: sensors to measure changes in people's physiological state, such as heart rate, respiratory rate and galvanic skin response (biofeedback); facial coding to categorize the emotions conveyed by their facial expressions; eye tracking to identify their focal attention.

A symposium on "buyology", the *science* founded by neuromarketing prophet, Martin Lindstrom, was advertised as follows: "By examining consumers' brains, using the most sophisticated brain scanning technology available, Lindstrom and his team have (…) discovered that we're hardwired to buy brands. The research results are mind-blowing. For the first time ever, Lindstrom has proven that it is possible to predict the success of a brand, without asking the consumer's opinion". The consumer, for that matter, could not tell us much about the real reasons for a purchase. The reasons why a consumer chooses one brand rather than another are largely unconscious. "Our buying

decisions take place below the surface, so deep within our subconscious minds, we're barely aware of them".[2]

Studies have shown why it is better to appeal to the subconscious of consumers. In 1975, a large sample of people was offered two identical glasses; one contained Pepsi and the other Coke. The result was surprising: most consumers preferred Pepsi, although Pepsi's share of the market was far smaller than Coke's and although the participants claimed to prefer Coke prior to the experiment. In short, when consumers did not know what brand they were drinking, they preferred the opposite of what they bought.

An explanation for this puzzling result came about 30 years later (McClure et al. 2004). The researchers repeated the 1975 experiment with the same results: when people did not know what they were drinking, they preferred Pepsi. In the second phase, when participants knew what they were drinking, 75% preferred Coke. Brain imaging in both phases suggested why. In the second part of the experiment, the researchers noted increased brain activity in the regions linked to self-esteem and positive emotions. Their explanation is that the Coke brand elicited positive memories and associations, ultimately linked to decades of effective advertising.

So whether people like a product is not consciously determined. Our consumption choices are made in the largely unconscious sphere of emotions and associations, which can be accessed and manipulated by effective advertising strategies or missed completely by ineffective strategies.

An example of this latter type concerns health warnings on cigarette packets (Lindstrom, 2008). An experiment conducted on a sample of smokers clarified that warning labels have an unexpected smoke-inducing effect. When researchers asked subjects if the warning labels reduced their desire to smoke, most said "yes." These were their conscious answers; their subconscious answers told a different story. Brain Imaging revealed that warning labels activated the nucleus accumbens, an area associated with cravings, suggesting that the warnings made smokers want to smoke more, not less. Lindstrom's explanation is that warning labels have become part of the "trade dress" of cigarette brands. Being exposed to warning labels many times a day for years has become part of the smoking experience.

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2 http://adage.com/buyology/pdf/Buyology_Symposium_Brochure.pdf.

Neuromarketing costs a lot, but it works. This is why giants like Coca-Cola, eBay, Procter&Gamble, Sky, Google, Microsoft, Whirlpool, CBS, Frito-Lay and A&E Networks have been using neuromarketing for years. The movie industry is obviously also involved. Wired has drawn up a “Top Five Neuro” classification of movies since their very beginning: first place went to Inglorious Bastards, called “an acupuncture session for our brains”. A marketing executive said he was not hoping for an Orwellian future, although marketers would be able to create it (Schor 2005 p. 54). In fact, neuromarketing has been accused of being the science that Big Brother dreamed of but did not dare to hope for.

Critics probably exaggerate their accusations of brainwashing. Neuromarketing is different from subliminal advertising, a powerful technique for manipulating the subconscious that was banned several decades ago. Neuromarketing is not a tool for manipulating the subconscious; it is a tool for exploring it. Yet, it is precisely the emphasis on the subconscious that makes neuromarketing disquieting, along with the tremendous sophistication of the tools used to investigate it. After all, having deep-seated and accurate information on the subconscious is the basis for manipulating it.

Box: Neuropolitics

High-tech marketing is likely to become even more controversial should it emerge that neuromarketing is used not only for commercial, but also for political purposes. There are many suspected cases of neuropolitics, including Hillary Clinton's 2016 presidential campaign, and a few confirmed episodes. In Mexico, Peña Nieto (Institutional Revolutionary Party) successfully ran for president in 2012. His campaign managers measured voters' brain waves, skin arousal, heart rates and facial expressions during the campaign. Former Polish Prime Minister Ewa Kopacz (2014 campaign) and former Turkish Prime Minister Davutoglu (2014 campaign) both used a complex mix of neuromarketing techniques to win their campaigns. Neuromarketing consultants say they are conducting similar research in more than a dozen countries, including Argentina, Brazil, Costa Rica, El Salvador, Russia, Spain and the United States (Randall, 2015).

Less information is available about political use of neuromarketing than for commercial use. Political organizations are more reluctant than private companies to comment on rumors about their recourse to neuromarketing, because they fear being accused of brainwashing. In fact, the public regards mind manipulation in politics as more unacceptable than in the economy. It is a dangerous idea, because western countries are governed much more by corporations than by governments, as we shall see in Part Four.

Box: The impossible commercial

Advertising drums the following existential message into people's heads: "If you feel insecure and inadequate, you'll feel better if you buy more. If you're afraid of being excluded and seek confirmation that you indeed belong to this society, go out and spend". The following storyboard for a television commercial that will never be aired, an impossible commercial, illustrates this point.

Scene One. A small car is parked outside an apartment block, next to a set of traffic lights. A middle-aged man of nondescript appearance with a pleasant face is sitting in the car. He is quietly waiting for someone.

Scene Two. A luxury car draws up to the traffic lights and stops next to the car in Scene 1: up front, the chauffeur and beside him an attractive secretary. In the rear, three distinguished businessmen are talking animatedly. The atmosphere in the car is charged with tension and veiled threats. The middle-aged man in the middle of the three is the owner of the car and the boss of the chauffeur and the secretary. He epitomizes success: a handsome face, a Hollywood tan, thick silver hair. However, these attributes clash with his strained and jittery demeanor. The businessman's mobile phone rings. He answers, "Ah, Mickey, how many times have I told you not to call me when … Right … Of course, I hadn't forgotten your football game ... But, look, something's come up and I really can't take you … But, don't worry, I've got you an amazing present … But now I'm busy … I'll talk to you later … bye."

(To the other businessmen) "Sorry, but you know what kids are like". Then (to the chauffeur) "Get on with it" (the traffic light is still red) … can't you see we're late." Then to the secretary: "Susan, buy a present for Mickey". The secretary: "What should I buy him, sir?". The businessman, irritated: "Use your head! With all the money I give you surely you can think of something." To the other businessmen, "So if you don't agree … I'll be forced to …". The car runs the red light.

Scene Three. The front door of the apartment block opens. Out pops a delightful happy little girl aged about 10. She jumps into the car: "Come on, daddy, let's go. I'm so excited … oh gosh, my first dance show … I'm so happy you're here…".

They drive away laughing. Voice-over to the commercial: a wise, calm, deep, paternal voice intones: “Your time, your affection … your life”.

Why will we never see this kind of a commercial? Quite obviously because nobody sells the goods being advertised. Nobody sells time and affection; indeed, having more of them may lead to less consumption. Plenty of substitutes for time and affection, however, are for sale. The advertised remedy for dissatisfaction is: “Buy more not less. All you need is more money”.

Chapter 10 - Born to buy?

Today unhappiness is largely linked to generational turnover. Each generation is less capable of being happy and of having satisfactory relationships than the previous one. Children and teenagers are the crux of all the issues addressed so far: discontent, materialism, relational difficulties, marketing pressure, performance and time stress. Just like discontent in adults, teenager discontent is a persistent trait of advanced societies and both have similar causes. The problem seems to be that we have turned children into little adults and made their life like ours, especially as regards what makes us unhappy.

1. The ills young people

A study on American and Canadian citizens shows that the probability of suffering from depression has grown rapidly across generations (Robins et al. 1984). The numbers are striking. Individuals born around 1910, who were therefore 75 years old at the time of the study, had a 1.3% probability of experiencing a major depressive episode during their lives. For those born after 1960, this probability shot up to 5.3%, although one would expect a lower probability because they were 25 years old or under. All generations have a higher probability of experiencing depression than previous generations. These results were confirmed by Klerman et al. (1985) who studied parents of a vast group of patients with affective disorders.

The average age at which depression first manifests has also been declining dramatically. Fifthy years ago in America, it stood at 29.5 years of age (Beck, 1967) and depression was unusual in young people. In recent times, depression typically claims its victims in adolescence (Lewinsohn et al., 1993). The declining average age is a huge problem because depression tends to be recurrent, and it recurs more frequently when the first episode strikes at an early age (Diener and Seligman, 2004).

In the 1980s, the average “normal” American schoolchild between 9 and 17 years reported more anxiety than child psychiatric patients did in the 1950s (Twenge, 2000). The share of teens reporting a major depressive episode in the previous 12 months rose by 37%, from 8.7% in 2005 to 11.5% in

2014 (Mojtabai et al 2016). From 2007 to 2015, the suicide rate for girls aged 15-19 years doubled, while that for boys increased by 30%.[3]

Emotional and behavioral problems soared in the 1980s and 1990s in the US, as shown by the studies reviewed by Shor (2004). Anxiety, depression and attention deficit hyperactivity disorder increased in children aged 4 to 15 years, shooting up from negligible to 12.8%.

In 1997 a large scale MECA (Methods for the Epidemiology of Child and Adolescent Mental Disorders) study showed that 13% of kids and teens (aged 9-17) suffered from anxiety, 6.2% had mood disorders, 10.3% had disruptive disorders and 2% abused drugs. Overall, approximately 21% of this age group had a "diagnosable mental or addictive disorder with at least minimum impairment." This disorder or addiction led to significant functional impairment in 11% and extreme functional impairment in 5% of cases.

According to parent interviews from the Child Development Supplement, one out of five children is anxious, fearful, unhappy, sad, depressed or withdrawn. Two out of five are impulsive, disobedient or moody. Fifty percent have at least one of these disorders.

The result of this psychological turmoil is that a record number of young Americans are prescribed psychiatric drugs. In any case, young Americans do not wait for a doctor's prescription: data on drug and alcohol abuse shows epidemic levels.

Similar results come from studies on the well-being of young people in Great Britain. For example, a pilot project of the city of Nottingham to design well-being indicators for its population revealed that 32% of children and adolescents between 7 and 19 years are so unhappy that it threatens their mental health (Marks and Shah 2004).

2. Wrong explanations for youthful distress

First let me weed out some common mistaken explanations. The one preferred by progressives is poverty. Although poverty has strong negative effects on children's well-being, child poverty in America has decreased since the 1980s (Schor 2004). There must be another explanation for the

3 https://www.cdc.gov/mmwr/volumes/66/wr/mm6630a6.htm

disquieting trend of mental health in American youth, since the offspring of the middle class are also involved.

By contrast, conservatives blame the increase in working mothers and divorces and the decline in parental authority caused by dissemination of liberal values in the education of children. These explanations are also untrue. With regard to working mothers, the data shows that the incidence of mental disorders in children of working mothers is no higher than in children of non-working mothers. Similarly, there are plenty of intact families with troubled children (Schor 2004). When it comes to the importance of parental models, children and adolescents from authoritarian families have poorer social skills, lower self-esteem and higher levels of depression (Rodrigo et al. 2014).

3. The relational distress of youngsters

Like the adult world, the world of children is rife with relational difficulties. Youngsters often experience loneliness and conflictual relationships both with peers and older generations. Bullying, teasing, rebelliousness and anti-social behavior are reaching epidemic levels. Generational cleavages, i.e. troubled parent-child and adult-youth relationships, are a trait of Western society that goes well beyond the American case and recent times. There seems to be a general problem of communication and empathy between generations. The fact that only 57% of American parents report behaving warmly towards their children several times a week is not comforting (warm behavior includes hugging, joking, playing and expressing love). From 1981 to 1997 the average time spent in conversation at home dropped roughly by half for children aged 6 to 12 (Schor 2004, Table 1).

The possibility of developing relationships outside the family has deteriorated even more for children. In a single generation since the 1970s, the 'radius of activity' of children – the area around their home where they are allowed to roam unsupervised – has declined by almost 90% (Gaster, 1991). Between 1969 and 2001 in the US, the share of students walking to school decreased from 40.7% to 12.9% (McDonald, 2007). This is not an exclusively American phenomenon; the mobility and independence of children has plummeted everywhere in the industrial world. In Britain, in 1971, 80% of 7-8-year-olds were allowed to walk to school, often alone or with their friends. Two decades later, fewer than 10% walked to school, and almost all of them were accompanied by their parents (Hillman et al. 1990). Today, two out of three 10-year-olds have never been to a store or a park by

themselves (Moss 2012). Roughly one out of two adults thinks that 14 is the earliest age at which a child should be allowed out unsupervised. Just one generation ago, ten-year-olds had more freedom than a teenager does today (Children's Society, 2007).

This radical transformation of children's lives has a number of harmful effects, ranging from a lack of contact with nature to an obesity epidemic due to an increasingly sedentary life-style. Youth obesity has tripled in prevalence (LaFontaine, 2008) as a result of the collapse in children's overall levels of physical activity (Salmon and Timperio, 2007). Above all, however, the transformation of kids' lives results in relational deprivation since it limits contacts among children. When kids used to play on the street, they formed their own groups, and involvement in group interpersonal dynamics taught them social skills that would accompany them throughout their lives.

Like for adult well-being, relations are also crucial for child well-being. A report on the well-being of children in the UK, Sweden and Spain showed that the most important thing for children is their family and their friends (Nairn et al. 2011). When children were asked about "what makes a bad day", their most common answer was family arguments, across all ages and countries.

Summing up: the time children spend with their parents, who are increasingly absorbed by their work, has decreased, and parent-child relationships do not seem to be in good shape. However, the deepest revolution concerns children's now limited possibility to establish relationships independently. This is related to the fact that they can no longer move unsupervised throughout their neighborhoods. The space to which children have access is increasingly restricted to school and home, mostly due to the invasion of towns by cars. This means that children now pass much less time with other people. What do children do with their time today?

4. Competitive and media pressure

There has been a revolution in the patterns of children's time use in the last few decades. Their time is increasingly absorbed by school and media and less by relations. Pressure to succeed and perform are now part of their lives. Haste and time pressure begin in childhood. The increase in homework mirrors this fact, to the point that parents associations have requested a reduction or abolition of homework in all Western countries.

Schor (2004) notices that the baby boomer generation had a fortunate childhood. They took part in outdoor and group activities, often without adult supervision. They had a lot of time and space, and

ran free. They were lucky compared to previous generations, when child labor was the norm. Somehow, they were a parenthesis. The workload of current generations is again heavy, and not only for Americans. Children now have less free time and its quality has changed. The privatization of time has involved them as well. They go out less, they play together less and their free time is largely absorbed by the media. A profusion of marketing studies has documented that one of the biggest desires of today's children is to have less pressure, a lighter workload and more time to relax.

This trend began in the 1980s and 1990s. Children born in 1997 spent more time shopping, at school and studying than children born in 1981, at the expense of social contact, play, passive free time and even family conversation (Schor 2004, table 1). Although children do not yet experience the competitive and time pressures of the labor market, school is a good surrogate.

A dramatic increase in media exposure paralleled the growth in workload. For the first time in history, children's leisure time is mostly spent at home in front of a screen, instead of socializing in their community. Now "children and adolescents spend more time with the media than they do in any other activity except for sleeping – an average of seven hours a day" (Strasburger et al. 2010, p. 757).

5. Materialism and young people

Several child-centered materialism scales have been developed (Nairn 2014). Chaplin and John (2007) measure materialism by asking children to create a collage with images representing what makes them happy. Children can select pictures from a set including images of brands, sport activities, friends and family. The choice of more brand images signals greater materialism. Another measure of children's materialism is the "Consumer Involvement Scale", including items such as "I like clothes with popular labels" and "When I go somewhere special I usually like to buy something" (Schor 2004).

Studies on materialism in children show patterns similar to those in adults. The relationship between materialism and well-being in children is significant and negative, as documented by an abundant literature. This negative relationship holds across a wide range of measures of child well-being, such as parent assessment (e.g. Goldberg et al. 2003), life satisfaction (Ahuvia and Wong 2002) and life dissatisfaction scales (e.g. Buijzen and Valkenburg 2003), self-esteem (Nairn et al.

2007; Chaplin and John 2007) and measures from standardized scales for anxiety, depression and psychosomatic symptoms (Schor 2004).

Children's materialism is also highly correlated with family conflict (Buijzen and Valkenburg 2003, Nairn et al. 2007). More materialistic kids have a lower opinion of their parents, argue with them more frequently, and have lower self-esteem and more depressive tendencies. Children's probability of thinking "my parents are not cool" or "my parents don't understand what kids these days need" is highly correlated with materialism (Schor 2004, Nairn et al. 2007).

A particular aspect of these family conflicts concerns "pester power": children nag their parents to buy advertised products (Buijzen and Valkenburg 2003, Nairn 2014, Flouri 2004). Children who are more exposed to ads are more likely to pester their parents. In turn, children who pester their parents more often experience greater dissatisfaction and disappointment when parents refuse to buy what they ask for (Buijzen and Valeknburg 2003). Pester power is an increasingly frequent source of family quarrels. One third of UK children says that if they want to buy something and their parents do not, they will continue to ask until their parents give in. More than half say they do this sometimes. Only 15% say they never do it (Bailey 2011). These effects are likely to be amplified in the future, given the nature and weight of digital advertising.

Materialism is therefore not a good deal for children, exactly as for adults. The problem is that materialism is spreading among kids, even more than among adults. Children are the first to adopt new technologies; they are the family members with the most passionate consumption desires, the most informed about products, brands and recent trends. The social world of children is increasingly built around consumption, since consumption determines who is cool and who is not, who deserves friends, attention, admiration and social status.

Seventy-five percent of American children want to get rich, a higher percentage than in any other part of the world (except India). Approximately two-thirds of parents report that their kids define their self-esteem in terms of the things they own and wear, much more than the parents themselves ever did. More than one-third of children between 9 and 14 "really like kids that have very special games or clothes," more than half believe that when you grow up, the more money you have, the happier you are, and almost 2/3 say that "the only kind of job I want when I grow up is one that gets me a lot of money" (Schor 2004, p. 23).

To understand why young Americans have become this way and why their European counterparts are becoming like them, we should now focus on advertising.

6. Advertising targeting kids

"There are only two ways to increase customers: you either win them over to your brand or you raise them from birth" (James U. McNeal, professor of marketing at Texas A&M).

"If you own this child at an early age, you can own this child for years to come. Companies are saying, 'Hey, I want to own the kid younger and younger.'" (Mike Searles, former president of Kids "R" Us).

"When it comes to targeting kid consumers, we at General Mills follow the Procter & Gamble model of 'cradle to grave'. We believe in getting them early and having them for life." (Wayne Chilicki, executive at General Mills).

The stunning candor of these quotes from senior managers of the marketing industry, taken from Kasser (2002), summarizes the main evolution of marketing over the past 30 years: children and young people have become the primary target of advertising (Schor 2004). In the United States, total spending on advertising targeting children reached 15 billion dollars in 2004, 150 times the amount spent in 1983 (Schor 2004). Martin Lindstrom claims that 80% of global brands require a marketing strategy for children.

Examine the buzzwords of the advertising industry. They talk about viral marketing, targets, surprise attacks when defenses are down, vulnerability, carpet-bombing; children are owned, taken, and kept. The language of marketing is a language of war, and there is little doubt about who is winning.

The sophistication, effectiveness and audacity of these strategies has reached impressive levels. The many millions of little consumers are dissected by age, sex, preferences, purchasing power and market segment to fine tune the message to the target. No expense or recourse to intellectual resources is spared to win this war. An army of psychologists, child development experts, brain scientists, sociologists, and anthropologists offers its sophisticated weapons to the advertising

industry for lavish fees. A flood of research catalogues the most intimate details of children's lives. Marketing people film children in their private spaces and swarm through streets, shops and even schools to gather details on the rituals of their everyday lives.

One of the goals is to create ads that portray a world tailor-made for children, without any boring parents or teachers. A former executive of Nickelodeon, a television for children, stated: "Kids are experiencing increased pressure for achievement and activity. They don't have enough time for homework, they're overscheduled. […] It's hard to be a kid in an adult world. The adult world doesn't respect kids. Everywhere else adults rule; at Nickelodeon kids rule" (quoted by Schor 2005, p. 52). The success of this philosophy stems from the fact that it reflects reality. Advertisers are perfectly aware of the problems of young people highlighted in this book and its solution is the creation of a liberated world. Adults must appear boring, pushy, repressive, embarrassing and cheerless. For example, advertising for children's food, which is accused of producing an obesity epidemic, has increasingly conveyed the message to children that these products set them apart from adults. What adults value is discredited, what they despise is cool.

How was it possible for marketing to become the modern storyteller and for corporations to become the global architects of childhood? There are two reasons behind the growth of marketing pressure on children. The first and most important is that children are more vulnerable to advertising than are adults. Although the age at which kids are able to make a clear distinction between an ad and a TV show is still debated, the greater vulnerability of kids to advertising is undisputed (Nairn 2014). Robinson (2001) conducted an experiment in which television viewing among third and fourth graders was reduced for six months. The requests to buy toys from children in the group that watched less television dropped by 70%, compared to the control group.

The second reason is that the purchasing power of children has grown tremendously. This is due in part to economic growth and in part to a changing parenting style that has become less authoritarian. Children now have a say not only in the purchases that concern them, but also on families' purchases in general.

The digital revolution made it much easier for the advertising industry to target children. The unprecedented amount of time spent by children in front of screens offers advertisers extraordinary opportunities to capture children's attention through internet entertainment, which is mainly funded by commercial interests (Buckleitner 2008). Online environments are more stimulating,

plenty of colors, music and humor, and kids can engage with a brand for hours instead of the few seconds of a TV ad. In the new media the boundaries between advertising and content are much vaguer than on TV. For instance, in “advergames” the corporate message is embedded in a bright-colored, fast-paced online game which captures the player for long periods.

This marketing pressure is extremely costly but fully successful in generating pandemic materialism among children. Since the 1970s, studies have invariably documented a relationship between exposure to advertising and the media and childhood materialism (Goldberg and Gorn 1978, Pollay 1986, Greenberg and Brand 1993, Buijzen and Valkenburg 2003, Schor 2004, Nairn et al. 2007). However, while corporations reap the profits of pervasive materialism, children pay the price in terms of declining well-being and relationships.

7. Summary

The situation of young Americans mirrors that of adults. The well-being and relationships of children and adolescents are deteriorating. Sources of relational poverty include parents subject to time squeeze and urban environments unfriendly to children.

A revolution in children’s use of time has occurred in the last few decades. Kids’ time is subject to industrial and commercial pressure: more is taken up by school and the media, and less by relationships. Children’s leisure has lost its social character, since kids seldom go out or play together. The privatization of time means that for the first time in history, children’s leisure is mostly spent at home in front of a screen, instead of socializing within their community.

Urban-industrial society has invented child solitude. In rural communities child solitude was rare and depended on physical isolation. It could happen in families that lived on isolated farms. Today many children experience the paradox of urban solitude: loneliness amidst people.

Since the 1980s, materialism has spread among kids, contributing to their relational poverty. Studies on children’s materialism replicate the results of adult studies: materialistic values are negatively associated to well-being and the quality of relationships. The tremendous amount of advertising to which today’s children are exposed plays a critical role in promoting materialism.

Summing up, kids and teens are distressed because everything in their lives has deteriorated, except money. Budgets for their purchases have increased disproportionately, but kids and teens pay a

high price for this: pressure to perform and to buy, less freedom, less space, less time and fewer relationships.

Chapter 11 - Born to work?

1. Adult-youth conflicts, ungovernable lives and social systems

This chapter analyzes the common causes of three issues that have negative effects on happiness, partially addressed in previous chapters:

1) Adult-youth conflict. This structural feature of modern societies is one of the most distressing facets of relational problems affecting youngsters and adults. I previously discussed the role of marketing in driving such conflict to unprecedented levels. The roots of the conflict, however, do not lie in marketing; the latter merely exacerbates the conflict and exploits it for its own ends, depicting a utopian world without parents and teachers, a promised land that can be reached by buying products. Yet why are there no adults in this children's promised land? The answer is grounded in intergenerational conflict.

2) The perception of coercion and pressure on their lives often experienced by westerners. Many people tend to perceive that their lives are on a forced path. This is quite a surprising trait in rich societies. In fact, ever since the Industrial Revolution the promise of the new social order has been that it would free humanity from the bonds of tradition. This implied that individuals would be free to choose how to live their lives according to their personal inclinations. Yet this promise has not been kept. The perception of enjoying freedom of this kind is only experienced by a limited fraction of the population of western countries. This severely depresses people's well-being, as shown by Verme (2009), who finds that the perception of freedom of choice and control over one's life has a major impact on happiness. I previously showed the role played by materialistic values in shaping the perception of pressure and coercion on our lives.

3) Perception of the social and economic system as ungovernable. From this point of view, the current cultural climate is surprisingly different from that of the twentieth century. Perception of the inevitability of social drift, for which no one is willing to claim responsibility, now prevails in western culture, and it has grown tremendously with the rhetoric of globalization. In his speech at the 2005 Labour party congress Tony Blair stated: "I hear people say we have to stop and debate globalisation. You might as well debate whether autumn should follow summer."

Blair epitomizes a depressed culture in the sense that feeling powerless to influence things is typical of depressed persons. The narrative in the era of globalization is totally focused on adaptation of individuals to the social and economic environment, seen as an inexorable fact. We are called to become accustomed to living under increasingly fierce competition and growing uncertainty, to expending more time and energy on work, and those who do not adapt – be they individuals or nations – are condemned to poverty and economic marginalization.

In practice, this implies that any prospect for progress other than extending access to consumer goods has disappeared from the western collective imagination. The increase in free time and quality of life, or any kind of humanization of socio-economic life – which were still concrete prospects in the 1970s – all vanished in the face of increasingly aggressive competition that would crush anyone who did not accept its inevitability.

Western culture sprang from the Enlightenment and the idea of progress. It is therefore surprising that we do not ask certain questions. Why did we create all this? Why did we build a civilization capable of unprecedented expansion of productive capacity? The goal was not to end up living under more and more oppressive conditions of competition, uncertainty, quality of life and relationships. Nor was it to find ourselves alone, powerless to control things that are bigger than we are, that threaten the quality of our lives and the future of our children. We experience these things like a farmer experiences the threat of drought or hail. Why did we build all this, only to find ourselves back at the starting point, at the mercy of events? Why must the economic and social system, our own invention, be ungovernable? The need to find a sense is a critical issue in western culture. A race that has lost track of the goal of a better life makes no sense at all. The questions remain unanswered.

The deafening silence of these unanswered questions is one reason for mushrooming nationalism, which promises remedies for globalization, in the US (Trump), the UK (Brexit) and many countries across continental Europe. Globalization has dug its own grave through 30 years of propaganda against government intervention. If globalization makes us afraid and is ungovernable, our only option is to throw up walls against it. The tale of uncontrolled globalization is perceived as so distressing that it has ultimately caused a phobic reaction in voters, who choose forces that promise to destroy it. The story about the need to adapt to increasingly aggressive competition is of course not new. An identical version of the current Chinese threat was bandied about in the 1980s.

According to the *yellow threat*, millions of Japanese, willing to work at a frenzied pace unknown to soft decadent westerners, were going to overrun us. We were arranging deck chairs on the Titanic.

However, what matters is not that these threats are periodically bandied about, but that this time they have had unprecedented success in generating a climate of collective insecurity. It is a sign of cultural failure, of a civilization that has lost confidence and is floundering in a climate of fear.

In this chapter, I argue that our choices about how to raise, educate and train our kids and teens cause enormous problems of adaptation to adulthood. In turn, these problems are at the root of the three issues mentioned, namely youth-adult conflict and the perception that individual lives and social systems are ungovernable.

2. The sense of possibility.

One reason for the perceived lack of mastery over individual lives and the social system is the destructive impact that our educational institutions have on the 'sense of possibility'. The latter is a biological peculiarity of the human species. For human beings, the impulse to try something out is the basis for improving the experience and for getting better results from one's work. The human brain has invented the alternatives, namely the ability to imagine changes. For humans, what may be possible comes before what is real, because the former shapes the latter (Bartolini and Palma 2002). This characteristic underlies the evolutionary success of human beings because the sense of possibility makes us capable of shaping the environment according to our needs, above them all the need to make our lives easier and more enjoyable.

The problem is that the cultural and educational choices of advanced societies focus systematically on the individual's ability to adapt; these choices assume the economic and social environment as given, disregarding our capability of shaping such an environment by considering it as a human product. The sense of possibility - the ability to imagine experiences that aim at achieving easier life conditions - is systematically discouraged.

Our schools are a prime example of this. At school, students learn many important things that are set out in the study programs and many other things that are not written in any program, but that are no less important. First of all, they must learn to exclude any idea of enjoyment from their productive activity. Students are not supposed to have a good time at school. Time spent producing is not intended to be spent pleasurably. Just think, for example, of how children are forced to keep

still for most of the day. This is so incompatible with their physical needs that it borders on mistreatment. Moreover, they learn that they do not have any role in guiding their own education. In fact, schools do not help students in cultivating their own interests at all. The learning subjects are determined by the institution, without any consideration of the students' opinion on the matter. Production also dominates time requirements: learning to hurry is one of the fundamental aspects of education. Students, therefore, learn how to relate with time. By favoring an overly extensive conception of programs and time devoted to study, schools discourage in depth reflections. Students also learn to compete. For example, grades are individual and every group activity disappears rapidly from the courses. Lastly, they learn how to relate to power: students are trained to accept to be excluded from any decision that concerns them.

The curbing of the sense of possibility implies the lack of awareness that the economic and social environment is a human product and, as such, it can be oriented towards well-being. It is primarily for this reason that the liberation from the bonds of tradition did not have the expected positive effect on the perception of freedom. It could have this effect only when combined with formative choices that emphasize the sense of possibility. In other words, the confinement of humanity's ability to make projects to the realm of acquisition and profit implies the formation of individuals lacking a critical sense and stripped of any responsibility towards individual and social history.

3. The culture of time.

A market economy tends to produce individuals who have a conflictual relationship with their time, and this is a source of dissatisfaction and social conflict. In pre-modern societies, leisure time and working time were not clearly differentiated (Polanyi 1968). The establishment of a labor market, i.e. the invention of the marketability of time, which implies a net distinction between time spent living and time spent working, has a dangerous impact on the psychology of time. The labor market, in fact, treats time similarly to any other resource. Time is a scarce resource that can be allocated to alternative uses. Like any other scarce resource, it should be used efficiently. As in any other transaction, people who sell their time alienate their rights on the good sold, i.e. they transfer to the buyer the property right on the time sold.

However, time is a particular kind of good because time is life, and the quality of time is the quality of life. Therefore, the relationship with one's time is the key to the relationship with one's self, and

the perception of having control over one's time is a key element of human well-being because it is a key element of the perception of having control over one's life (Verme 2009). Differently from other resources, time cannot be accumulated; we can only make its perception better or worse. Therefore, there is a sense in which time is inalienable and it is from the point of view of experience. In fact, we cannot do without perceiving the quality of the time we are living, and this perception has certain inertia. For example, it is unlikely that the experience of haste and time pressure during work hours will not affect also our experience of leisure time. Work stress has an impact on the quality of leisure. The existence of a barrier between life and work is an illusion, reflected in the economists' typical assumption that the satisfaction that individuals derive from their leisure time is independent from the quality of their working time.

The consequence of the peculiarity of time is that its commercialization – i.e. the alienation of an unalienable experience – imposes on individuals a difficult adaptation. Great efforts are made to push individuals to adapt to an economy in which the use of their time will be imposed by someone or something else. The perception of having control over one's time is discouraged from a very early age. This discouragement begins with the attempt to "regulate" toddler's feeding and sleeping rhythms and continues throughout the educational system. From their very birth, the time of infants must be compatible with their parents' productive time. The construction of the idea of time in children is driven by the imposition of a model. Thus, a child's path towards a perception of time as a constraint is strictly linked to the acceptance of power: the affirmation of the power of adults over children is the affirmation of their power over the time of children. The conflict between adults and children is thus transferred to the conflict over time. An important implication is that a different formation of one's relationship with time – one based on the perception of mastery and control - would produce individuals who would not agree to be relieved of their responsibilities towards the social organization and their own lives.

In conclusion, the creation of a conflictual relationship with one's time is a fundamental component in the formation of contemporary individuals. The flip side of the coin of a conflictual relationship with one's time is a conflictual relationship with one's self. Thus, the result that we can expect from this type of training is that individuals become less attentive to their own needs and more vulnerable to cultural messages that propound money, consumption and work success as the way out of their discontent.

In addition to the impact of the invention of the marketability of time, a market society has another impact on the perception of time. As discussed thus far, a market society tends to isolate individuals and to relate them only through the market, where relationships are motivated by personal advantage. The decay of social and emotional ties, the sense of loneliness can be relieved by creating a work-based identity. The reassurance deriving from the acknowledgement of one's financial and work success can alleviate the insecurity of individuals isolated in a desert of conflictual relations. This is the genesis of the addiction to work typically found in contemporary societies and of its abnormal role in the development of the identities of individuals and their relationship with time. The identity-formation role that work takes on in a relational desert drives a productive vision of time. This is the root of the willingness of individuals to accept the frenzied pace of a life in which a standard answer is "got no time", of the willingness to consider time spent for relationships - including time spent with their children - as wasted time taken away from production, of the willingness to teach children, right from the very moment they are born, that their time and needs must be compatible with those of work.

Thus, one of the reasons for the perception of pressure and coercion that Western societies experience lies in the culture of time that they produce. Educational institutions, mainly school and family, instead of compensating the negative impact that the labor market has on the relationship with one's time, amplify it. Instead of forming individuals capable of living happily in a market economy, educational institutions drive people into a relationship with their time that make them founder when faced with competition and time pressure.

Chapter 12 - What kind of animal are we?

1. *Homo economicus* is a fake

The approach outlined so far suggests that competition is only one possible form of human relations, that in many cases cooperation is a plausible alternative and that cooperation can take place in a variety of ways. Above all, it can take place non-instrumentally.

The possibility of cooperating for intrinsic reasons is not considered an aspect of human behavior by mainstream economic theory. *Homo economicus* has selfish materialistic goals and acts exclusively for personal gain; he is only interested in accumulating material goods and does nothing for free; he is interested in others only insofar as they can be useful to obtain some material advantage and lacks any sort of ethical, affective, social or altruistic dimension. For *Homo economicus*, the only possible reason for cooperating is personal gain.

This portrait is similar to that of materialistic persons. The only difference is that the latter have negative social dimension, namely social comparisons. The belongings of others elicit dissatisfaction in materialistic individuals, which is why success is so important to them.

From a scientific point of view, *Homo economicus* is a fake. The Dickensian greed of *Homo economicus* comes closer to a severe form of sociopathy than to the behavior of most human beings. Even our language reflects this. We might call an act of solidarity “human” but never greed. The economic prosperity of an incentive-based world shows that pursuing one’s own interests is a fundamental component of human motivation. However, it is not the sole component. Many events of past and contemporary history could not be explained if mankind were solely economic.

I begin with the so-called “paradox of voting”. A large number of people take the time and trouble to vote and this is the basis of democratic systems. Why do they do this? Even if the costs in terms of time and effort are limited, *Homo economicus* would vote only if the benefits of voting exceeded its costs. What are the benefits of voting? Even if we suppose that the only reason for voting is to support one’s own interests, the likelihood that one’s vote will affect the result is virtually nil. In fact, this only occurs when a single vote is decisive, which has no statistical relevance. A selfish

calculation does not provide any reason for voting, not even for people interested only in protecting their own interests. There must be some motivation other than self-interest for voting.

Experimental evidence also confirms that human beings do not behave like *Homo economicus*. Psychologists and economists have conducted experiments to assess the degree to which individual decisions are motivated by self-interest or conversely by pro-social inclinations such as generosity, fairness and aversion to anti-social behavior (Fehr and Gaechter 2000). These experiments show that self-interest is a strong motivation, but that pro-social motivations are no less important.

Various anthropological studies document literally hundreds of cases in which mechanisms that have guaranteed the sustainability of pastures for centuries, if not millennia, in various parts of the world can only be explained by the existence of cooperation based on pro-social motivations (Ostrom 1990). Many micro-historical studies on social movements have also shown that workers and political activists have risked their lives for centuries, pursuing goals that could not provide enough personal benefit to compensate the risks taken.

Studies on happiness have contributed to a human image that now appears to be more social than that suggested by *Homo economicus*. If people only acted for personal gain, happiness would grow hand in hand with increasing income. The happiness paradox is consistent with the view that people are not interested solely in material goods. The distress caused by poor relationships is the telltale sign of the importance of intrinsic motivations for happiness.

Homo economicus is dying. Growing interest in these issues signals a radical change in our culture that has not spared economics, although *Homo economicus* continues to enjoy greater credit among economists than among other social scientists.

2. Humans: a cooperative species

Growing interest in human generosity and cooperation is manifested by a series of major studies in various fields (De Waal 1997 and 2009; Hrdy 2000; Wright 1995; Ridley 1998; Field 2004; Hauser 2006, Nowak and Highfield 2012). Psychologist Michael Tomasello (2009) conceived a series of cooperation tests for chimps and toddlers in virtually identical form. He found that children help others and share food and information at an astoundingly early age, in a way that chimps hardly do even as adults. One-year-olds tell others about things by pointing and share food with strangers. Fourteen-month-old infants help adults in difficulty, like when the adult cannot open a door because

her hands are full. Chimpanzees rarely even offer food to their own offspring, and do not share helpful information.[4]

Another psychologist, Dacher Keltner (2009) studied the mechanisms of empathy and connection, including smiles, blushes, laughter and touch. When friends laugh, their laughter begins with separate vocalizations that mingle and end up becoming choral. Keltner argues that laughter evolved millions of years ago, long before language, as a mechanism to build cooperation.

Neuroscientists have provided much evidence that being human is largely about being connected to others. They found that helping another person triggers activity in parts of the brain involved with pleasure and reward (the caudate nucleus and anterior cingulate cortex). This suggests that helping others is as gratifying as fulfilling a personal desire (Rilling et al. 2002). Conversely, the pain of social exclusion involves the same areas of the brain as physical pain (Eisenberger and Lieberman 2004).

Our brain is hardwired to understand others' emotions. A subset of the brain cells that fire when one is experiencing something, also fires when one is watching someone experiencing the same thing. These cells are called mirror neurons (Rizzolatti and Craighero 2004). Mirror neurons cause our brain to act as if we were experiencing whatever the person we are watching is experiencing. Since their discovery, these neurons have been hailed as a cornerstone of human empathy.

Psychologist Jonathan Haidt argues that humans are "the giraffes of altruism." Just as giraffes evolved long necks to help them survive, human beings developed empathy, solidarity, emotions, gods, moral feelings and social intelligence.

So the distinguishing characteristic of humans is not to be economic but to be cooperative. Paleoanthropology offers perhaps the most impressive evidence. In the African savannah, where our species was selected 100,000 years ago, our ancestors hunted large and dangerous animals in groups, shared the prey and organized collective defense. This required a high level of cooperation between group members.

Naturally, cooperation is not a distinctive trait of the human species alone. Other primates, many insect species and so forth have cooperative behaviors, however cooperation among members of

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4 https://www.youtube.com/watch?v=Z-eU5xZW7cU

the species *Homo sapiens* is unique, due to the scale on which it takes place, beyond close family members, even including total strangers. Moreover, peculiar to the human species is the importance that ethical values have in sustaining cooperation among non-kin. In fact, most cooperation between human beings cannot be explained in terms of self-interest. The explanation based on personal advantage assume that an individual will cooperate with another person if he believes that such behavior will be reciprocated, meaning that the other individual will cooperate in the future. However, real life and experimental evidence show that cooperation also occurs in interactions that are not likely to recur in the future.

Ways of cooperating differ greatly from society to society, but what they have in common is the crucial role that social preferences play in sustaining it. The notion of social preferences refers to the human ability to experience empathy, generosity, honesty, loyalty, shame and guilt. The reason why human beings experience these feelings has to do with the way our brain processes information and induces the behavioral response we call cooperation.

3. Between- versus within-group selection

The interesting questions are: Why does the human brain work in this manner? Why did social preferences establish in our genes 100,000 years ago in the African savannah? I will use the term social preferences interchangeably with altruism.

The African savannah offered large animals for hunting and many other benefits to groups that behaved cooperatively, but this is not a sufficient condition for the selection of cooperative individuals. Imagine the example of two cave men. One is selfish and his name is Ego; the other is altruistic and his name is Alter. The selfish or altruistic inclination of each is determined by their genomes. Ego and Alter are walking in the savannah when a wild beast suddenly attacks Ego. Alter, according to his altruistic inclinations, jumps in and saves Ego from the animal. The beast now turns on Alter, and Ego, according to his selfish inclinations, runs away. The beast eats Alter. Ego returns to his group and mates with several women to work off the adrenalin rush generated by the nasty adventure.

The moral of the story is that the selfish man survives and reproduces. His genes are spread through his descendants, unlike those of the altruistic man, which disappear with him. This parable tells us that if selection operates within groups, it rewards selfish individuals.

Now, imagine two groups of cave men living separately. One group is selfish (the Egos) and the other is altruistic (the Alters). These different inclinations are genetically determined, i.e. the Egos share selfish genes and the Alters share the genes of altruism. What happens if these groups are attacked by wild animals? The Alters have a great advantage in this type of fight: they are cohesive, help those in trouble, and cooperate. The Egos are more likely to run away. They do not help each other and think they are more likely to escape if the beast attacks someone else. By splitting up they lose the advantage of group defense and become easier prey. Result: the Egos are decimated while many Alters survive. The few surviving Egos roam the savannah alone and vulnerable while the Alters give vent to the stress of the event by mating.

The moral of this second story is that if selection is between groups, altruistic groups are more likely to survive and transmit altruistic genes to their descendants. So for a cooperative species to emerge, selection must take place between groups and not within them.

The idea of “group selection” has long been heresy but in the last 20 years a growing number of evolutionary biologists have convincingly claimed that selection between groups drove human evolution in the African savannah (Wilson 2012, Sober and Wilson 1998).

Bowles and Gintis (2013) claim that *Homo sapiens* invented very original ways of protecting its altruistic members from exploitation by selfish individuals. First, they invented institutions, such as primitive forms of justice - ranging from ostracism to execution of those who violated cooperative norms. Humans also invented the sharing of food and information, and reproductive practices such as monogamy, which reduced reproductive inequalities.

Second, humans adopted prolonged and elaborate socialization systems for their children, which allowed the internalization of norms that induce cooperation. An essential enabling factor was the plasticity of human development and its long duration, unique among species. Developmental plasticity refers to the incredible variety of behaviors that humans are capable of assimilating.

Both the internalization of cooperative rules and customs and protection of altruistic individuals rested on the unique human capacity to formulate and communicate general behavioral rules. Humans became a cooperative species because cooperation was highly beneficial and because they were able to build social institutions (establish rules, enforce them, share food and information, and socialize new members) that minimized the type of selective pressure that penalizes social

preferences, namely selective pressure within groups. At the base of this, lie some extraordinary linguistic, cognitive, emotional and physical abilities of our species.

4. The dismal science begins to smile: the social function of a scientific lie

Awareness that *Homo economicus* is a made-up creature is spreading in economics, giving rise to an increasing number of studies, including those on happiness. Its definitive rejection would bring a profound revolution in economics, which has been marked by this anthropological assumption since its very beginning. The desolate assumption about human nature underlying most economic theory is why it is known as the dismal science.

However, the dismal science is beginning to smile, realizing that the assumption at the root of the theories supporting the current economic order is untrue. How an entire social order came to be based on such a fabrication will probably intrigue future generations. This fancy was influential not only in social sciences, but also in spreading a social message to people. The message forged the horizon of what is possible. Although the current economic system may seem senseless to many, or at the very least improvable, it is still considered the best available. In the words of Margaret Thatcher, “There is no alternative” (TINA).

This lie limits the horizon of possibility to the *status quo*. Most economists bear a huge burden of responsibility for restricting of the sense of possibility through untruths that prevent progress. Supporters of the dismal science are not aware of this and perceive the social function of economists as *not* “sparing the rod and spoiling the child”. Economists have the difficult role of communicating uncomfortable truths so that nations, communities and individuals are spared even tougher and more unpleasant contingencies.

However when economists teach the notion of *Homo economicus*, they are not teaching science, but preaching an identity. A study by Frank et al. (1993) showed that economics students are the social group whose experimental behaviors most resemble *Homo economicus.* This suggests that economists fabricate an identity they believe to be scientific, and that they are its first victims.

PART FOUR: Policies for happiness

The foregoing analysis carries a personal message on what we can do if we care about our well-being and that of our children. A great start would be to stop obsessing ourselves and our kids and teens about success, money, work, and performance.

However, although individual choices can lead to a significant improvement in well-being, they encounter limits. When Schor (1998) studied the downshifters - i.e. the millions of Americans who have rejected the work-and-spend lifestyle and thus chosen to work and spend less - she found that it is unlikely for them to be raising children. Indeed, children would highly disapprove a reduction in consumption. It is hard to raise children in an island of curbed consumption surrounded by an ocean of market pressures. The possibility of living well with our kids while reducing our consumption implies a change in the way society is organized around them.

This is an example of a more general problem, namely that the social context shapes the constraints on individual choices. Thus, aside from a personal message, this book suggests mainly a social one: the contemporary affluent world does not produce happier individuals because it is not organized for this purpose. The current economic and social organization aims at other – mainly economic - goals. If we want to live better, we should build a society whose main goal is to promote well-being. This translates into relaxing the social, economic and cultural constraints that limit the development of vibrant communities and fulfilling relationships. This fourth part of the book aims to suggest how.

Chapter 13 - Urban policy: the relational city

1. The modern city

Urban life has become a paradigm of defensive growth based on relational and environmental degradation. Cities were originally conceived as places of social bonding; relationships were formed and nurtured in their streets, squares and markets, in their public spaces. Relationships remained the focus of the town organization for millennia, until the modern evolution of cities destroyed the quality of public spaces, transforming cities into places for production and consumption. Modern cities are designed for working and buying, not for meeting others. Cities lack free and inexpensive relational opportunities, but abound in costly possibilities for spending one's free time in company. Spending money is critical for the quality of urban leisure and boosts our feverish pursuit of money. It is one reason why the present-day urban environment is emblematic of economic growth generated by relational poverty.

Western cities suffered two massive shocks in modern times. The first was industrialization, which brought about rapid urban expansion. In the second half of the twentieth century, this expansion consisted largely of anonymous suburbs, especially in Europe.

The second shock was gentrification, namely displacement of lower income families and small businesses from traditional central neighborhoods by an influx of more affluent residents. The result of gentrification – now a global trend – is that the lower income population, which built the identity of their neighborhoods over generations, is now forced to give them up to higher income residents and move to neighborhoods with no identity.

The result of these two shocks, especially in Europe, is that large parts of cities – the sprawling new suburbs populated by lower income families – have grown with a weak sense of identity and capacity to generate social ties. This is causing profound changes in societies. Being able to live in places that have an identity has become a class issue. This is a novelty, at least in Europe, where until relatively recently low-income people always had a social identity, partly connected to where they lived. This new urban experience is turning low-income earners into losers. A society in which social identity has a price that so many cannot pay is an experiment unique in history, doomed to produce the social and psychological rifts that America illustrates so well.

Gentrification is an engine of growth precisely for these reasons. The attempt to flee from soulless, impersonal neighborhoods exposed to degradation drives people to work and produce more, to be pressed for time and stressed, to travel more by car, all of which hasten the decay of the environment and urban relationships from which they are trying to escape. This, in turn, reinforces their need for money to escape from even greater decay, generating the vicious cycle of increasing material abundance and relational and environmental degradation.

This mechanism affects most of us and causes a senseless waste of resources and energy, although it does not affect everyone to the same extent. Urban life amplifies the impact of income disparities on the relational opportunities offered by leisure time. People who earn a lot can afford dinners at fancy restaurants, pleasant outings, membership of exclusive clubs and vacations in remote places. Low-income individuals, on the other hand, do not have many alternatives aside from television and other media. More importantly, differences in age and physical and mental abilities translate into unequal relational opportunities. Individuals with reduced mobility, such as the elderly and children, whose connections largely depend on the existence of a social fabric within walking distance, are especially harmed. I define this type of inequality *generational*. Contemporary cities are largely responsible for transforming children and old people, who experienced dense social connections until a few generations ago, into the population groups most at risk of solitude (Pinquart and Sorensen 2001).

Modern cities have become the pillar of a social organization that on one hand produces economic wealth, and on the other poverty of relationships, environment and time. This helps explain why “the city is the engine of economic growth” – as claimed by the World Bank.

The mainstays of urban life are the organization of public spaces and transport. Drawing on urban studies research (Penalosa, Montgomery 2013, and references in the next box), this chapter outlines how public spaces and transport should be reorganized if we care about relationships and well-being.

The features of potential reorganization have recently become the focus of political debate in many cities. Indeed, growing awareness of the importance of the quality of public spaces has given rise to remarkable political novelties in local elections. In the last decade, mayors of important cities, such as Bogotá, Paris and Mexico City, have won office after electoral campaigns that emphasized the need for radical reform of the quality of public spaces and transport.

Box: New Urbanism: the shortcomings of car-dependence

Where cars play a less dominant role in our lives, where there are alternatives to cars, people live better, are happier and are more inclined to establish relationships. These ideas are at the center of New Urbanism, an urban design movement that emphasizes pedestrian-oriented, mixed-use, high-density neighborhoods as a means for building relationships between residents. According to New Urbanists, residents are more likely to walk about in such neighborhoods and have more chances of casual interactions (encounters, conversations, exchange of favors). This enhances a neighborhood's social fabric, resident engagement in neighborhood-related activities, and sense of community.

According to the happiness economist John Helliwell (quoted by Montgomery 2013), the encounters we have while walking and biking tend to build trust. Helliwell claims that the "frequency of positive interaction is the key" to trust. Bumping into neighbors, having brief conversations or even just saying hello encourages trust and a feeling of being connected with people and places. Nothing like that happens when we are boxed in the isolation of our cars. Trust also shapes happiness at city level: the happiest neighborhoods are those that report higher levels of trust in neighbors (Lu et al. 2015).

Long commutes exact a high toll: people who endure commutes exceeding 45 minutes are less happy, to the point that they are 40% more likely to divorce (Olsson et al. 2012). People who live in car-dependent neighborhoods outside urban centers report that they are unhappier and have fewer relational goods than residents of walkable neighborhoods. In walkable neighborhoods, housing is mixed with shops, services and work places and residents have easy access to municipal infrastructure, such as post offices, parks and playgrounds, coffee shops, restaurants, libraries, barbershops and club meeting venues. Walkable neighborhoods offer potential for unplanned encounters that allow individuals to connect, share information and interact with people whom they otherwise might not meet.

In contrast, contemporary suburbs contain only houses. It is impossible to perform any daily activities on foot. To meet daily needs, residents need to drive to distant places, such as malls, usually located on major arteries burdened by heavy traffic. The frequent absence of sidewalks is emblematic of the pedestrian-unfriendly nature of contemporary suburbs. In this situation, interactions are more likely to happen by invitation than by chance.

Studies comparing traditional neighborhoods and conventional suburbs find greater social interaction and sense of community in traditional neighborhoods (e.g. Kim & Kaplan, 2004; Lund, 2002). Other studies focus directly on the degree of walkability, which is calculated using objective and/or perceived measures that generally combine four aspects: net residential density, retail floor area ratio, intersection density and land use mix, all components of a widely used walkability index (Frank et al. 2010). Such studies demonstrate that more walkable neighborhoods have enhanced social interactions and a greater sense of community (Leyden, 2003; Lund, 2003; du Toit et al., 2007; Wood et al., 2008, 2010, Rogers et al. 2010, 2013). Even dog walking works as a catalyst in strengthening a community's social fabric (Wood and Christian 2011). Gilderbloom et al. (2015) have also shown that walkability has a positive impact not only on relational goods but on neighborhood real estate prices, foreclosures and even crime rates. Walkable neighborhoods translate into more ''eyes on the street,'' which leads to less crime.

These results have been replicated in cities throughout Northern America, Europe, Asia, New Zealand and Australia. However, some papers find little or no correlation between walkability and relational goods in US cities (Brown & Cropper, 2001; Nasar, 2003). The reason is a powerful confounder, the spatial intersection between walkability and socio-economic distress. In large US cities, densely populated inner-city neighborhoods are often characterized by higher levels of poverty, crime and traffic.

The urban environment affects our relationships and well-being in many ways, far beyond walkability. They include shared green spaces, small setbacks, front porches, common areas, community gardens, sufficient sidewalks, being able to watch nature from one's window and even the aesthetics of one's environment (see the impressive review provided by Basu et al. 2014).

These aspects of built environments have received too little attention in modern urban planning.

2. Space in a relational city

Urban relationships require good quality common spaces. What we need are changes in the built environment that do not result from economic growth but from urban planning: green areas, public squares, pedestrian areas and sports centers.

The urban environment should allow people to meet neighbors and strangers in public spaces near their homes. A neighborhood filled mostly with private spaces and few, dirty and overcrowded or

deserted public spaces, hinders the formation of relationships. We should build a sense of belonging and shared values and this requires good quality public spaces.

European cities were originally built around public squares. The square was the meeting place for all members of society, regardless of their social class. It was *the* place for human relationships. Across the centuries, cities slowly expanded by building new neighborhoods around new squares. The reasonable proportion between public and private space was lost during the sudden acceleration of urban expansion caused by industrialization. Private buildings multiplied and public spaces shrank. According to urban planners, people are only willing to walk three blocks to go to a park. A child should therefore not live more than three blocks from a public park. Yet the way suburbs were built in most cities begs the question: where do children play? We must start to consider parks and sports centers not as luxury goods but as essentials, like hospitals and schools.

Good quality public spaces partially compensate income inequality and drastically reduce generational inequality. A pedestrian area or a park can promote well-being more than increased consumption. Being social creatures, humans need to walk and to be among people. We can live most of our lives shut up in our homes, but we must still walk and meet others in order to be happy.

In today's cities, malls have emerged as relational spaces. Friends and families go there to spend their leisure time. The main reason is that malls are pedestrian areas. Children are not in danger when they are not holding their parent's hand. However, these are private spaces where commercial pressure surrounds relationships. Human interactions therefore occur in a context that stimulates buying and owning. This creates a sense of exclusion in those with little or no purchasing power. Moreover, malls are not particularly interested in providing benches where people can spend time socializing instead of spending money in shops. Public spaces should offer what malls offer, but outdoors, with more social inclusion, more benches and less commercial pressure.

Most cities have some access to water: a river, an ocean, a lake, a stream, canals, etc. These are ideal places to create linear parks that run through different parts of the city. No public expenditure is needed to create some pedestrian space. Sunday traffic bans in neighborhoods – as experienced in Bogotà - are a zero-cost example. This is a more sophisticated type of relational organization than those we are used to. All societies have forms of organizing relationships. In many countries, for instance, most people do not work on weekends, they take vacations at the same time of the year,

and families tend to have their meals together. To restore the city's original function as a place of social bonding, we must broaden and innovate the existing forms of organizing relationships.

Access to space has always been a crucial issue in human history. Conflicts between farmers and large landowners were common across centuries of European history. The contemporary tensions arising from the privatization of urban space are the urban version of those rural conflicts. Today, however, the solution is not a more equitable distribution of the ownership of space. This time the solution is public space. The cost of this option would have been insignificant had it been chosen to guide the expansion of our cities. The choices we make every time we build a new neighborhood have consequences that persist for centuries.

3. Transport in a relational city

Cities were created for people. For five millennia, until not so long ago, all streets were pedestrian. Then cars appeared and transformed the built environment into a dangerous place. Cars are a threat to pedestrians: tens of thousands of pedestrians are struck and killed by cars every year worldwide. The danger is unevenly distributed across age cohorts since the victims are mostly children and the elderly. The automobile is a monument to generational inequality.

Cars are noisy and polluting, especially in large numbers. They need expensive infrastructure: roads occupy much space and have construction and maintenance costs. Cars take up space in cities and force buses to move slowly. Parking problems force cars to invade sidewalks. Urban relationships become more difficult when their setting – public space – becomes noisy, polluted and dangerous. The impact is permanent if the city is built for cars, as in the case of American suburbs.

We all suffer the resulting congestion, air pollution, noise and relational limitation, but the absence of low-cost high frequency public transport particularly inconveniences children, teens, older people and low-income citizens who cannot afford a car. All this has created an urban environment based on exclusion.

In the Netherlands and Denmark, despite harsh winters, more than 30% of the population uses a bike to move around the city. Almost every street has a bicycle lane and even country roads have parallel bicycle lanes. It is no coincidence that societies known for their egalitarian and environmental vocation, as found in northern Europe, give more space to bicycles in their urban projects. Bicycle lanes are a concrete expression of quality of life.

Private car-based urban transport is an eloquent example of a situation that tends to worsen with economic growth. In a growing economy, people buy more cars, producing more congestion. Despite their sophisticated technology and high fuel requirements, cars often creep along at the pace of their predecessor, the horse-drawn cart.

Our biggest mistake is the attempt to solve this problem by building more roads. Each new infrastructure – a parking lot, a bridge or a new highway – attracts more traffic, until congestion is reached again. Many cities attempt to reduce traffic by increasing the cost of using a car: more expensive parking, costly fines and even congestion charges (as in London). However, selection of car users based on capacity to pay undermines social cohesion by excluding those who cannot afford to run a car.

The only solution to the challenge of urban mobility is public transport that must be used not only by lower income residents but by everyone. The goal should be to offer mobility acceptable to the whole population at the lowest possible cost, and not to attempt to solve the problem by the costly measures we have just seen, that ultimately have only temporary effects.

The historic centers of European cities have a potential advantage with respect to American cities, namely that they were not built for cars. Urban sprawl in the US strongly penalizes public transport. It is nearly impossible to offer low cost high frequency public transport in low-density suburbs. Large average distance and low population density between bus stops mean that buses travel almost empty, whereas high population density allows public transport to be less costly and more frequent.

Low-density cities are not planned for pedestrians. The result is that there are few people on suburban streets. They become lonely deserted places that drive residents to malls in order to socialize. Long distances discourage suburban residents from going to a downtown theatre, restaurant or museum, reducing cultural engagement. Poor public transport also prevents residents without cars from reaching the more pleasant and attractive city center.

We therefore have a clear example of what not to do. We should apply the lesson of American suburbs in future urban planning. This lesson is that transportation based on private cars causes social disgregation, even in cities designed for cars. Such cities make efficient public transport impossible. The advantage of many European cities not designed with cars in mind becomes a disadvantage when these cities try to adapt their human dimension to accommodate mass car use.

Chapter 14 - Policies for children and adolescents

In addition to the features of contemporary cities, another factor that depresses the well-being of younger generations is the mounting pressure to become producers and consumers at an increasingly early age. The main actors exerting this pressure are the institutions that ultimately form young people: schools, families and the media. Any change must start from them. In this chapter, I focus on schools and families; I will address the media in the next chapter.

James Heckman, awarded the Nobel Prize in Economics in 2000, argues that all investments in human capital have diminishing returns with age. In fact, people develop most of their abilities during childhood. The ability to establish and nurture relationships is a significant example. Think of how much easier it is for children to learn a language – the ultimate relational skill – than it is for adults; or of the troubling impact of difficult relations with parents during childhood on people's relationships throughout their lives. In short, people's experiences tend to affect their formation – either positively or negatively - all the more strongly the younger they are. This is an excellent reason why children deserve greater priority, meaning that we should invest more than we currently do in them. Most importantly, we should invest differently than we are now.

In particular, we should invest in the emotional intelligence of children. Emotional intelligence is defined as the capability of individuals to recognize their own and other people's emotions, to use emotional information to guide their thinking and behavior, and to manage and/or adjust emotions to adapt environments or achieve their goals (Coleman 2008). This definition encompasses all three aspects that I pointed out as central for happiness: good relationships with oneself, good relationships with others and the sense of possibility.

Relational skills are a component of emotional intelligence. Relational skills refer to one's capacity to cooperate with others, which involves being able to understand both one's own and the feelings of others, to communicate, to reciprocate, to trust and be trustworthy, to distinguish between the people with whom it is possible to build a positive relationship and those with whom it is not. Relational skills are mainly non-cognitive; they relate essentially to life's emotional sphere and are largely acquired during childhood.

1. The schooling system is flawed

What do we learn at school? Many important things listed in the curriculum, and many other no less important things that do not appear in any program. In the next sections I explore the implicit content of teaching. This content shapes students' views of society, relationships, and of what counts and what does not count in life. I also analyze why the school system chooses to transmit this implicit content. The reasons lie in a series of beliefs that are in conflict with the evidence.

1.1. Cognition vs. emotions

The schooling system is entirely focused on cognitive skills. Instead of investing in emotional intelligence, considerable resources are employed to prevent its development. Schools are not generally designed to allow students to develop their inclination to cooperate and to shape the environment in which they live. The message conveyed to students is that only cognitive intelligence counts for success in life. Yet emotional, not cognitive, intelligence is the key to flourishing lives, including work success (Goleman 1995, Mayer et al. 2000).

The exclusive focus of the schooling system on cognitive skills is based on positivist ideas dating back to the 1800s, which saw emotions as a system that hinders cognitive activity and that is completely distinct from intelligence. These are old and outmoded ideas. We know now that cognition requires an active role of emotions and that they are mutually reinforcing (Mayer 2001; Damasio 1994). The primacy of cognition over emotions claimed by the schooling system does not work, not even for cognitive goals.

1.2. Extrinsic vs. intrinsic motivations

Schools play a big role in encouraging materialism. Their message to students is that intrinsic motivations are not important. Indeed, providing students with engaging subject matters is not among the institutional goals of the schooling system. Students are meant to study because it serves as a means to other ends, e.g. to avoid social exclusion or find a good job. The message conveyed is that it is not important to do something interesting, what matters is doing something useful.

Yet, we have known for decades now that this message does not work. Gottfried (1990) showed that for elementary school children, academic intrinsic motivation is positively related to achievement, IQ and the perception of competence, and inversely related to anxiety (see also

Cloninger 1996). A recent OECD study on more than half million high school students across more than 70 countries shows that intrinsically motivated pupils, i.e. “sparked by an interest or enjoyment in the task itself”, are less likely to feel anxious about a test than extrinsically motivated students, who said they aspired to be one of the best students in their class (OECD 2017). The problem is that anxiety reduces academic performance. Most countries scoring high on the anxiety scale have below average results in academic achievement. Conversely, those countries that display low levels of reported competitiveness and anxiety have better exam results. In short, extrinsic motivations are an engine for anxiety and anxiety is an engine for poor learning. As stated in the OECD study, extrinsic motivations can lead to “disabling perfectionism” (see also Economist 2017).

1.3. Competition vs. cooperation

The schools’ message to students is: you are alone and this is a race. Indeed, the system does everything it can to encourage individual competition between students, starting from individual grades. Group assignments – which promote cooperation - are limited or absent. The credo of our current educational system is individual success. The rationale for this credo is that competition in the classroom raises standards because it provides low-rank students incentives to keep up with the best students.

However, available evidence does not support this argument. The comparison with higher-achieving peers hampers individuals’ self-concept, which tends to keep students in a low rank throughout their education. Low self-esteem seems to trap a substantial portion of students in a schooling experience characterized by persistent low standards (Murphy and Weinhardt 2013). Self-confidence, and not peer pressure, is the key to learning. And again, high competition fosters anxiety, which depresses performance.

Box: Japanese hyper-competition

The Japanese *juken* (entrance exam) process best exemplifies how extreme competition creates anxiety, frustration, exclusion, and even victims. Parents in Tokyo and other Japanese cities are increasingly putting their preschoolers through the *juken* process to increase their chances of scoring a spot at a highly selective private school. Children between four and five begin a string of preparatory schools and exams that can play an important role in determining whether they will retire from first-class jobs some sixty years later. In Tokyo, about 8 percent of parents decide to enroll their five-year-olds in cram schools, hoping for admission to one of the city's most selective primary schools.5 In practice, the *juken* process is creating first-class citizens, second-class citizens and so on, at an increasingly early age. The extraordinary youth suicide rate in Japan is directly linked to this hyper-competitive schooling system, considering that exam results or college admission are cited as the main reasons for suicide among young adults. In South Korea, where schools are also extremely competitive, suicide is the first cause of death for citizens aged 10-30.

1.4. Effective vs. affective

"You have to perform and your performance is measured by tests." This is the school system's message to students. The choice to focus on testing is based on the idea that tests do not affect the quality of education. Yet, this is not the case. Deci and Ryan (2002) have provided evidence that the exclusive focus on written and oral tests actually destroys learning, experimentation, innovation and original and critical thinking. The coercion to hurry generated by over-burdened programs and pressing deadlines has a similar effect.

Teachers are aware of these dangers. Mc Ness et al. (2003) showed that successive waves of legislative changes starting from the late 1980s had caused teachers of primary and secondary schools in Europe – especially in Britain – to become concerned that externally imposed changes in the educational programs had created growing conflict between the requirements of governments and the needs of their pupils. The governmental demand to deliver 'performance' had brought about a policy focused on the need for teachers to be managerially 'effective', while ignoring their

5 http://www.japantimes.co.jp/community/2014/02/16/issues/prepping-for-university-straight-from-the-crib

deeply rooted commitment to the affective aspects of teaching and learning. The constantly increasing demands on teachers for accountability led to less time and opportunities for doing more creative work and for developing caring relationships with their students (Pollard et al., 1994; Woods et al., 1997; Menter et al., 1997). Mc Ness et al. conclude that "the effective is compromising the affective".

The dangers in crowding out the intrinsic motivations of both teachers and students implied by this managerial drift of the schooling system should be readily apparent. Accordingly, the OECD concludes in its 2017 report on education that "governments should not define the role of teachers solely through the number of instruction hours" or other quantitative parameters. The reason is that "one major threat to students' feelings of belonging at school is their perceptions of negative relationships with their teachers (…). Teachers play a big role in creating the conditions for students' well-being at school (…) Happier students tend to report positive relations with their teachers".6 Instead of focusing on performance measurement and incentives, the OECD recommends training teachers in "relationship management" (OECD 2017 p. 237).7

6 https://www.oecd.org/newsroom/most-teenagers-happy-with-their-lives-but-schoolwork-anxiety-and-bullying-an-issue.htm

7 It was also suggested to set up special classes, called "happiness classes", in which teachers could find out how their students are feeling and make plans on how to deal with any issues found and to increase their happiness. http://www.independent.co.uk/news/uk/home-news/happiness-classes-should-become-part-of-the-school-curriculum-new-study-suggests-9591894.html

1.5. Academic achievement vs. well-being

All school systems are committed to achieving high academic standards, not well-being. In practice, schools encourage higher standards by lowering well-being. It all begins by imposing physical immobility and silence right from elementary school. The implicit message to students is: you are not here to have a good time, you are here to perform; performing is different from having a good time. Since children are used to learning through play, this is a disruptive message regarding the rules of their new activity: study. As a consequence, most children absorb unconscious generalizations of the type: study is boring, reading is tiring. In the best of cases, it takes them years to discover that reading a book can be a pleasure and study can be a challenging adventure. In the worst of cases, they never make this discovery. The fact that the two most significant aspects for the development of intelligence, words and movement, are banned from the school environment, marks a cleavage between the world of children and that of adults.

The pressure to perform has increased over the past few decades in most Western educational systems. Time devoted to social activities and recess has shrunk in favor of time devoted to cramming for tests. As a result, schools are generating an epidemic of anxiety. Some 55% report that tests make them anxious even if they are well prepared, and 66% report feeling stressed about poor grades. Yet, the key to high standards is actually well-being: anxiety about schoolwork, homework and tests is negatively related to performance (OECD 2017).

2. Humanizing schools

In conclusion, at school students are taught to develop a relationship with their time, bodies and interests, with hierarchy and with other people that is detrimental to their emotional and cognitive skills, and ultimately to their well-being. One could conclude that schools should do the opposite of what they are doing. Pupils are taught to exclude well-being from productive activity, yet they should be encouraged to associate enjoyment with their desire to learn. Students are trained to accept passively what they are taught, while they should be allowed to choose their own education. Learners are taught to overlook their physical needs and should instead be encouraged to nurture them. Students are taught haste, i.e. to be rushed, superficial and uncritical. Instead, schools should respect the time needed for in depth and creative thinking. Pupils are taught to be passive within

organizations and in dealings with authority. Schools should rather explain that established powers and organizations serve to promote well-being and that they derive their legitimacy from fulfilling this goal. Students learn competition rather than cooperation. Schools produce exclusion rather than inclusion. They should be an engine for change and are an engine for conservation.

3. Pressure for change

The predictable result of this situation is that many students become less and less connected with school as they go from elementary to middle to high school. By high school, as many as 40%–60% of students become chronically disengaged from school (Klem & Connell, 2004). This lack of connection impacts negatively on their academic performance, behavior and health (Blum & Libbey, 2004). The sense of belonging at schools has declined over the past decade (OECD 2017).

According to the OECD, the degree of engagement of students at school depends on the degree to which their needs for autonomy, competence and relatedness are satisfied. These needs are satisfied when students participate in a cohesive, caring group with a shared purpose - i.e. when schools function as communities that value respect for others, are inclusive and open (OECD 2017, p. 237). The OECD Chief of Staff Gabriela Ramos said that in learning "there is no secret, you perform better if you feel valued, if you feel well treated, if you are given a hand to succeed!".8 Exactly what schools generally do not do.

It is relevant that the OECD - previously better known for its attempts to quantify academic results - ended up focusing on the well-being of pupils and on the quality of their relationships between them and with their teachers. UNICEF issued a report in which it advocated child-friendly reform of elementary schools involving the active participation of the children; a reform in which children's opinions are sought and considered in decision-making, in which schoolrooms and playgrounds are designed and managed in a child-friendly participated way, in which children become protagonists of learning, and in which all possible means are used to stimulate motivation and interest (Unicef 2007).

8 https://www.oecd.org/newsroom/most-teenagers-happy-with-their-lives-but-schoolwork-anxiety-and-bullying-an-issue.htm

The convergence of important international organizations on these views is one of the many signals of a societal shift in the approach to schooling. Indeed, in recent years there has been increasing pressure to humanize the school system. Parents associations supporting the reduction or abolition of homework have sprung up in all Western countries. Student protests have intensified. Videos, interviews and talks condemning the schooling system have gone viral on the Internet. The main argument is that it destroys the personal inclinations and creativity of students. They can decide nothing and have no way of expressing and developing their talents and interests. While businesses have customized and increasingly profiled potential customers, schools have remained the same for everybody.

Even more importantly, mass schooling has remained roughly the same over the past 150 years, i.e. since it was established. In a viral video, the educational system is put on trial.9 It is charged with killing creativity, individuality, and with being intellectually abusive. The prosecutor submits the evidence for his case by showing two sets of pictures of phones and cars: how they are now and how they were 150 years ago. The differences are huge. However, when he shows the photos of a contemporary classroom and of a classroom as it was 150 years ago, a murmur rises from the public because the difference disappears. Indeed, one would be hard pressed to find something that has changed less since the 1800s than the schooling system. The prosecutor asks, “Are schools preparing students for the future, or for the past?”

It is difficult to explain the persistence of a system that produces malaise for reasons that evidence shows to be superstitions. It seems that we adults have forgotten the toil and suffering we were put through. Could this be repetition compulsion?

4. Change the school system

The bad news is that the educational system must be radically reshaped if we want schools that promote cooperation, creativity, participation, inclusion, the sense of possibility, and high academic standards. The good news is that viable alternatives are available. In fact, teaching methods differ tremendously not only from country to country, but also between schools and even within schools. We can exploit this variability to understand which teaching practices work better.

9 https://www.youtube.com/watch?v=dqTTojTija8

3.1 Participatory teaching

In an influential paper, Algan et al. (2011) explore the effects of progressive education. They examine data from hundreds of thousands of fourth to ninth graders from dozens of countries, and rank the methods by which they are taught according to their degree of verticality/horizontality. When teaching practices are vertical, teachers primarily lecture and ask students questions, while students mostly take notes or read textbooks. The classroom is teacher-centered because the central relationship in the classroom is that between the teacher and the student. By contrast, horizontal - or participatory - teaching practices focus on students working in groups on common projects. And in this system, it is students who ask teachers for answers to questions. The classroom is student-centered because the central relationship in the classroom is that between the students. Table 13. 1 shows the ranking of countries according to their degree of participatory teaching.

Algan et al. find that horizontal practices promote the formation of social capital, whereas vertical teaching practices do not. This holds true at the student level, across schools and within countries. Controlling for a wide range of student, teacher and school characteristics, they find that horizontal teaching is related positively and significantly to several dimensions of students' social capital, including beliefs in cooperation with other students and with teachers, membership in associations, trust in institutions, and participation in civil society. Algan et al. also find a strong correlation with various non-cognitive skills, such as self-esteem and positive attitudes. These findings are consistent with the idea that the beliefs and skills underlying social capital are acquired through the practice of cooperation. Predictably, schooling practices that are more cooperative form individuals that are more cooperative.

Moreover, people feel happier in nations where participatory teaching prevailed (Brulé and Veenhoven 2014). Much of this difference can be explained by the effect of teaching practices on psychological autonomy. Participatory teaching fosters autonomy and autonomy raises happiness.

3.2 Social and emotional learning

Participatory practices enhance emotional intelligence as well. This is one likely reason for the positive association between participatory teaching and social capital. Emotional intelligence, in fact, provides the cooperative skills on which social capital is based. Specific schooling programs,

called social and emotional learning (SEL) programs, can be employed to enhance emotional intelligence. These programs were developed from the studies on emotional intelligence. An influential study by Durlak et al. (2011) involving about 270,000 students from kindergarten through high school, explored the effects of SEL programs across multiple outcomes. This meta-analysis of 213 school-based SEL programs concludes that they have a positive impact on social and emotional skills, attitudes toward self and others, positive social behavior, behavioral problems, emotional distress, and academic performance (+11%).

3.3. Alternative schooling

Actually, the plethora of Western educational systems abounds with experiments aimed at humanizing the schooling experience (Sliwka 2008). Some of these experiments are strictly local, while others, such as the Montessori o Waldorf-Steiner schools, have a long and successful history that led to the creation of global networks.

Despite differences in many important respects, all alternative educational models share certain features: learning is organized as an active process based on the needs and interests of individual students; they focus on experience, reflection, cooperation, participation and enjoyment; there is little or no room for tests.

Montessori education is a century-old schooling method that continues to gain popularity. More than 5000 schools in the United States use the Montessori program. Montessori education is characterized by multi-age classrooms, a special set of educational materials, student-chosen work in long time blocks, collaboration, the absence of grades and tests, and individual and small group instruction in both academic and social skills (Montessori 1964). The effectiveness of some of these elements is supported by research on human learning (Lillard 2005).

Lillard and Else-Quest (2006) evaluated the impact of Montessori education and found that it fosters social and academic skills more than traditional education. This study overcomes the main problem when comparing the results of the Montessori method with other teaching methods: distinguishing between the impact of different schooling methods and the impact of different parents. Parents who enroll their children in Montessori schools can be expected to be different from other parents. This is crucial because parents have a dominant influence on children outcomes (NICHD 2004). Lillard and Else-Quest control for this potential source of bias because in their case study students

were randomly assigned to the Montessori or to traditional teaching method through a lottery. They document that by the end of kindergarten, the Montessori children performed better on standardized reading and math tests, interacted more positively in the playground, and showed higher social cognition and control, and greater concern for fairness and justice. At the end of elementary school, Montessori children wrote more creatively, used more complex sentence structures, selected more positive responses to social dilemmas and felt more connected with their community at school.

Studies on Waldorf-Steiner schools provide similar results. They show a positive relationship between Steiner schools and learning, achievement and the development of academic, creative and social capabilities (Woods et al. 2005). However, this evidence may be affected by the self-selection bias of parents, which the study of Lillard and Else-Quest instead allows to overcome.

5. Culture of performance and learning society

Some countries have understood how to re-shape their school system and are integrating into it the principles of alternative schools. Northern European countries have long moved in the right direction. They rank low in international comparisons of school-related anxiety and high both in horizontal teaching and, not surprisingly, in academic achievements (OECD 2017). Southern and Eastern European countries on the other hand seem to have taken the wrong direction (see Table 14. 1).

Country	**IPT**		**Country**	**IPT**
Switzerland	0,95		Hong Kong	0,49
Denmark	0,87		Estonia	0,48
Sweden	0,85		Portugal	0,47
Iceland	0,85		Spain	0,47
Netherlands	0,85		Italy	0,44
UK	0,84		Bulgaria	0,37
Canada	0,82		Hungary	0,34
Norway	0,74		Czech Rep	0,33
US	0,72		Austria	0,28
Slovak Rep	0,72		South Korea	0,27
Lithuania	0,71		Romania	0,27

Australia	0,7		Cyprus	0,26
Poland	0,64		Turkey	0,21
Germany	0,64		Greece	0,19
Israel	0,58		Russian Fed.	0,18
Slovenia	0,56		Japan	0,1
Latvia	0,53		Ireland	0,06
Belgium	0,51		France	0
Finland	0,51			

Table 14. 1. International ranking of participatory teaching. The index of participatory teaching (IPT) varies between 0 (maximum vertical teaching) and 1 (maximum horizontal teaching). Source: (Brulé and Veenhoven 2014)

The French school system in particular seems incapable of opening to participation. This depends most likely on its highly selective approach, in turn related to its historical function of engine of intergenerational economic mobility. Good results in good schools have provided a chance for economic advancement to generations of children of the French working class. However, in a society that has become culturally and ethnically fragmented, the hyper-selection of the French school system has instead turned into a trap for many students, ensuring their marginalization.

Countries that will not humanize their school systems will pay a high price for this choice. The current school system was designed in the nineteenth century based on the enormous need for social control of industrializing societies. Its basic goal was to train blue-collar workers and soldiers. Education had to develop the ability to obey and to be bored, skills highly appreciated by the labor market and the army. However, aside from being unfit for well-being goals, this type of schooling has also become unfit even for purely economic purposes. A proliferation of labels – knowledge economy, learning society, post-industrial economy, lifelong learning - describes a new economy in which creativity has become a critical factor for economic success, for both individuals and countries. A school system that insists on passivity, superficiality, and obedience is inadequate for such an economic system.

In the past few decades, political leaders throughout the West have specialized in the dual rhetoric of the learning society and of performance. There is a clear conflict between these two narratives.

A resilient, flexible, lifelong learning workforce, whose intrinsic motivation will lay the foundation of future economic and social development, requires relaxing the current constraints that prevent teachers and pupils from working together in a creative way (Mc Ness et al. 2003).

6. What can parents do?

Given the importance of relationships established with parents during the first years of life for the formation of relational skills, policies that radically extend maternity or paternity leaves, or more generally extend compatibility between work and family life, should be considered an investment in children's relational skills.

What personal choices can parents make for their children? Many choices parents make will affect their children's well-being, level of materialism and relationship with themselves and with others, both in the present and in the future. The first and most important choice concerns the quantity and quality of time to dedicate to children. Students whose parents routinely engage in day-to-day home-based activities, such as eating a meal together or just talking, are more satisfied with their lives (OECD 2017). Other choices involve how much pressure to put on their children's time and performance, how much to support their interests, how many restrictions to impose on them, how much fear or sense of possibility and autonomy to pass on to them. Fundamentally, these choices depend on the values parents have set at the center of their own lives. In turn, parents' values strongly influence their children's values (Kasser 2002).

Parents' fears often condition the openness of their educational choices. Parents are afraid of raising maladjusted, unproductive, uncooperative, and disrespectful individuals. However, it is the current educational practice that creates this kind of individuals. Parents should not be afraid of raising children who are different, if this means not being unhappy, anxious, depressed, aggressive, not being unable to have satisfactory relationships, or not being oppressed by a lack of autonomy. These different individuals will be more, and not less, productive: happier individuals work better, cooperate more at work and solve problems better and more creatively (see Part Four, chapt. 5).

7. The strain of parenting.

The discontent of children is mirrored in their parents' discontent. Having children is generally not correlated to greater life satisfaction, but rather to lower satisfaction in various spheres of life,

especially in relationships with spouses. New parents have become one of the high-risk groups in terms of stress and mental disorders. Post-partum depression is now a common disease affecting approximately 10-15% of women (Warner et al., 1996), while infanticide by mothers has soared throughout the West.

It should not be surprising that most westerners experience troubled parenthood. Modern cities have given parents an unprecedented power and responsibility, namely control over their kids' social world. Since kids lost their independence, the task of organizing their after-school time has fallen to parents. Parents were thus transformed into the modern gods of their children. They shoulder this role with the anxiety of being aware of the enormous power they wield, fearing the mistakes they may make in using it. This role has become increasingly challenging in the relational desert surrounding the family. Families, in fact, have become oasis of affective relations amidst a desert of conflict-laden and purely instrumental relations. The high stress levels of contemporary parents thus derives from living trapped between solitude, pressing work demands, enormous responsibilities and the high costs caused by the unprecedented dependence of their children.

The stress of parents is the reverse side of their children's discomfort. The life of contemporary children is a hotbed for conflicts with their parents for two reasons: their dependence caused by urban life, and their desires - stoked by incessant children-targeted advertising. Any action aimed at improving the lives of children will lead to an improvement in the lives of parents, because it will reduce tensions and conflicts among them.

Box: They are the problem

Generally, the assumption underlying all discussions among adults on the discontent of young people is that they themselves are the problem. Adults do not have that great opinion of today's youth. They feel that teenagers do not engage themselves at school, that they have superficial values and think only about sex and money, that they are often uncooperative, disrespectful, untrustworthy, inclined towards bullying and rebelliousness. In the following letter, I try to imagine how young people might react when told that they are the problem.

A letter to adults: we are the problem

You say that the only aspirations we teenagers have are to make money and to become famous athletes or popstars. You say that we are lazy and rebellious. Yet, your world offered us only violent heroes and obsessive videogames (for boys) and allusive, sexually provocative dolls (for girls) as role models. In your world, we have no space or time to play games, or simply to meet up with friends. You made us obsessively dependent on you, burdening yourselves, in turn, with an unsustainable responsibility because any possibility we may have depends on choices that you make, day after day. You have loaded our lives with so many pressures - we have to grow up quickly, we have to perform, to compete, and we hardly have any time or place just to hang out together with friends.

You tell us that you do all this to prepare us for life, and forget that we already have a life. And then, what kind of life are you preparing us for, your kind? Are you really sure that teaching us to live your lives is the best choice? We have found ourselves in a world that is certainly not made for us, but actually neither for you. You never have time, you have no hope, you are unhappy. The best option you can offer us is a life that will steal our time while we are young, giving it back when we are old, when we won't know what to do with it since we never had it. Your alternatives to our rebellion are your wasted lives and your worn-out and frustrating relationships.

Yet you say that this world – which is neither for us nor for you – was not created by you, and that you do not agree with it. So who is responsible for all of this? Not us, that's for sure. But neither are you, so you say. We find ourselves in a world for which nobody claims responsibility. Your only offer is the resignation with which you endure power, and the drift of all that surrounds us, with which you live your lives oppressed by the lack of time and by unhappiness.

You say that we are the problem. But until you understand that you are the problem, you will not

be able to help us solve our problem.

Chapter 15. Policies for advertising

1. Proposals for regulation

Advertising has a negative impact on the well-being of adults; its effect on children and adolescents is devastating. Advertising shapes children's values and cravings to a greater extent than those of adults. Children easily absorb the materialism conveyed by advertisements to the detriment of their well-being. Advertising makes them less happy, more anxious, lowers their self-esteem, increases psychosomatic symptoms like headaches and stomach aches (Kasser 2005, Nairn 2014, Ormorod, Bottomley 2007, Schor 2005). An increase in relational problems has also been reported: troubled relationships with parents, less generosity and higher probability of anti-social behaviour (Cohen and Cohen 1996, Kasser and Ryan 1993, Kasser 2005; Schor 2004, Nairn 2014). Children have trouble understanding that advertising is meant to persuade and that actors are not genuinely happy when they eat a certain snack (Nairn 2014).

In short, advertising is harmful. It manipulates values, cravings, relationships, well-being and behaviour. What can we do? The same as we do with other dangerous goods like alcohol, tobacco, gambling, pornography, weapons, drugs: regulate it by imposing limits, obligations, heavy taxes and even outright bans. For example:

i) Advertising could be heavily taxed, making it more costly and thus reducing marketing pressure. The greater the potential to promote materialism of a given form of advertising, the higher the tax rate should be. Tax revenues could finance relational policies.

ii) Television advertising could also be regulated to establish a proportion between commercial ads and ads promoting other values, such as "the impossible ad" (chapter 8). A one to one proportion – namely for each commercial ad, broadcasters would be obliged to air an ad promoting non materialistic values – would balance the disproportionate consumer pressure of TV advertising.

Some European countries have adopted a mix of these two approaches to regulate certain forms of gambling. Video poker, slot machines and the like are heavily taxed; tax revenues are partly used to finance advertising campaigns warning about the dangers of gambling.

Moreover, it is possible to ban advertising:

- to certain age brackets. Advertising directed at children and adolescents could be banned.

- of certain products. For example, advertising of junk food could be banned.

- by certain techniques. For example, ads that invade the relational sphere, such as those that promise discounts for convincing a friend buy a product, or those suggesting that a product promotes social inclusion, could be banned.

- in certain places. Advertising at school and in school buses (widespread in the United States) could be banned. When school is compulsory, exposing children to advertising at school is unethical. No one should be forced to be a target of advertising.

It is important to note, however, that the foregoing proposals do not specifically relate to the new media environments of internet, mobile phone and social networks where advertising is being shifted by corporations and regulation is much harder to enforce. Regulation of digital advertising is a too specialistic issue to be treated here.

There is nothing new about regulating advertising. In 1874, the English Parliament passed the Infants' Relief Act aimed at protecting children "from the wiles of pushy tradesmen and moneylenders" (James, 1965, p. 8). Sweden has banned television advertising to children under 12 years of age since 1990. Norway and Greece ban advertisements aimed at small children. Greece also bans advertising of children's toys between 7am and 10pm. New Zealand prohibits advertising of junk food, and many European countries have banned ads for cigarettes. France bans advertising on state television channels. Austria and Flanders (Belgium) do not allow ads targeting children before, during or after children's TV programs. Several countries - such as Australia, Canada, and the UK - have powerful advertising regulation authorities, who are at the forefront in regulating the media (Lisosky 2001, Caron and Hwang 2014). The British Advertising Standards Authority recently announced that new rules banning ads that promote gender stereotypes or denigrate people who do not conform to them, portray women as sex objects or promote unhealthy body images, will come into force in 2018.[10]

10 https://www.nytimes.com/2017/07/18/world/europe/britain-ads-gender-stereotypes.html

2. Counter-arguments

Despite these moves by some countries, regulation of advertising is slow to penetrate the political agendas of Western countries. Why? Are there any good arguments in defence of advertising? The rest of the chapter tries to answer such questions.

In the US, advertising is under attack, accused of promoting obesity, violence, greed and psychotic behaviour among young people. After a first wave in the 1970s, opposition to advertising directed at children re-emerged in the U.S. in the nineties. In 2004, the American Psychological Association issued a critical report on the impact of advertising on children. It recommended “that television advertising be restricted during programming directed to or seen by audiences primarily composed of children 8 years of age and under”.[11] The association discussed whether it should revise its code of ethics to prevent members from taking part in marketing research on children. Hillary Clinton declared that "too many companies simply see our children as little cash cows that they can exploit" (quoted by Schor 2005). She backed a ban on ads to pre-schoolers and in public elementary schools. The issue also gained visibility even among conservatives, who feared that the disrespect towards adults conveyed by much advertising targeting children would undermine their obedience and deference. Groups associated with the right-wing Institute for American Values expressed highly critical views on the consumer culture being sold to youth.

The industry realized that advertising to kids was once again under the gun. The 2003 annual conference of advertisers for children (KidPower) launched an alarm to its members regarding the growing unpopularity of their activity and the proliferation of advertising bans in European countries. The brochure of the conference stated: "The kid industry is under attack for selling products to children that are presumed to make them greedy, violent and fat”. Defence was organized along three lines, summarized by Schor (2005). These lines remain the defence adopted by the “kid industry” worldwide.

11 https://www.apa.org/pi/families/resources/advertising-children.pdf, p. 11.

3. Consumption as child autonomy

The first line of defence is that consumption supports children's need for autonomy. Buying a toy, learning how to use it, and having the possibility of choosing between products nurture children's need to be independent. Actually, this is an argument in favour of freedom to buy. Freedom to advertise is a completely different issue. Liberty to buy can be ensured without advertising. Certain forms of advertising amount to mass manipulation, and from this point of view the only freedoms at stake are freedom to manipulate and freedom not to be manipulated. We must choose between the two, as they are incompatible, whereas freedom to buy and the right to *not* be manipulated are perfectly compatible.

The kid industry's argument in favor of child autonomy is in line with my emphasis that autonomous choices are important for the psychological development of children, but it restricts such choices to those regarding possession. Yet, the need for autonomy goes far beyond the boundaries of possession. Obsessive stimulation of possession cannot promote a full sense of autonomy.

Moreover, the flip side of the coin of satisfaction from buying is dissatisfaction from not being able to buy. The positive aspects of possession have an inevitable negative side: frustration for those to whom possession is inaccessible. Exacerbation of such frustration is the purpose of advertising aimed at children. Frustration derived from economic inequalities is therefore introduced at an early age. Many young people suffer from deep feelings of inadequacy due to their inability to keep up with consumption standards (Kanner and Gomes, Nairn 2014). Early stimulation of possession helps transform the poor into losers, which has huge importance for the promotion of materials goals.

The frustration of not being able to purchase is not limited to children from low-income families; it concerns most children. Since few can afford to buy everything they desire, the factory of cravings generates frustration as an inevitable by-product of its alleged ability to make children autonomous.

4. Advertising enables free television, better products, growth and employment.

The second line of defence of advertising emphasizes its economic virtues. The first is that advertising enables television to be free. However, television is only apparently free. We pay for ads through the increased price of advertised products, a price also paid by those who do not watch

television. Television is in any case *too* free and accessible, given the negative effects it has on children and adults.

Additionally, advertising reduces the independence of the media. Imagine a case in which a newspaper or television channel learns unpleasant facts about a company that happens to advertise with them. Conflict arises between the independence of that media and its economic interests, since broadcasting the news could lead to retaliation. The company could withdraw its advertising. Problems of this sort are presumably frequent.

The second alleged economic benefit of advertising is that it leads to better products. Actually, the opposite is more likely to be true. Advertising is expensive and generates irrational brand loyalty (Schor, 1998). It therefore creates barriers preventing new competitors from entering the market. Moreover, the high cost of advertising is unattainable by most newcomers. Advertising is a critical reason for the domination of multinational oligopolies that prevent real competition in the goods market.

The argument that advertising generates growth and employment is likewise unconvincing. As for growth, it is not an end but a means for greater well-being, and the type of economic growth promoted by advertising is undesirable for well-being, because it is boosted by soaring materialism and relational degradation.

The reduction in unemployment created by advertising is the usual argument emphasizing the benefits of consumerism for employment that I criticized in chapter 4. A reduction in advertising would lead to less consumption and therefore fewer jobs, as well as less need to work in order to consume. Indeed, overwork is the flip side of the coin of overconsumption. For instance, if families could make a living by working fewer hours, it would free jobs for job seekers. Thus the net effect of a reduction in consumption on unemployment is unclear. There is no *a priori* reason to conclude that the reduction in the labour demand induced by lower consumption would be greater than the reduction in the labour supply.

The only sector where unemployment would surely increase is the advertising industry. Yet, this is a desirable goal. Fewer people should be expending their talents and effort in an activity that is often harmful to individuals and society.

5. The parents' fault

The third line of defence argues that parents can always protect their children from advertising: they can say no to purchases or turn off the television. Children are malnourished, aggressive and materialistic because parents abdicate their educational role.

This argument is actually founded on the admission that advertising promotes materialism in children and that materialism is undesirable. Yet, advertisers blame parents for the advance of materialism. Parents should use their authority to limit children's access to the media. This argument is the most effective of the three, because it exploits parents' sense of responsibility and guilt feelings. It is also the most absurd.

First of all, it is in conflict with the previous line of defence: if parents could prevent advertising from boosting consumption, advertising would no longer promote employment and growth by boosting production. In practice it is claimed that the economic virtues of advertising depend on parental failure. With this contorted reasoning the kid industry blames parents for not neutralising its efforts to increase kids' consumption.

Most importantly, this argument assumes that a social division of labour, in which the task of the media is to fabricate consumer craving while that of parents is to restrain it, makes sense. Since advertising is a factory of family conflicts, it is hard to find any rationale for a division of labour that wants parents to police their children's consumption, while the advertising industry scientifically stimulates kids to crave. It is as if a company dug holes in the road and blamed people for not filling them in. Thus, the parent's fault argument leaves some crucial questions unanswered: what is the rationale for the existence of such a big industry that produces family tensions on a mass scale? Whatever the responsibility of parents for the materialism of their kids, how can the current disproportionate size of an industry that relentlessly advertises such values be justified?

After all, parents themselves are victims of the media when it comes to the perception of threats to their children. The media tells them that the most dangerous things are drugs, bullies and perverts, not the media itself.

I have not discussed these arguments in favour of advertising because they are interesting, since they are clearly unfounded, specious, deceptive and misleading. What concerns us here is that there is no serious reason why advertising directed at young people should not be banned and advertising in general strictly regulated. These policies therefore have difficulty finding their way into political

agendas for reasons independent of doubts about their desirability. What are these reasons? This is the topic of the next chapter.

Chapter 16 - Change democracy

1. Post-democracy: the democracy of 1%

In 1978, the US Federal Trade Commission issued a report concluding that children under seven "do not possess the cognitive ability to evaluate adequately child-oriented television advertising" (Schor 2005, p. 100). This report could have paved the path for a ban on advertising targeting children. The powerful lobbies of the marketing industry – fiercely against such a decision - went on the warpath. The response from Congress came in 1981, when it stripped the Federal Trade Commission of its ability to contrast the commercial exploitation of young people.

This story epitomizes the malfunction in a democracy when large but widely dispersed general interests face strong concentrations of economic power (Olson 1965). The crisis of democratic institutions is so profound to have induced influential political scientists to define the current phase as "post-democracy" (Crouch 2004). Post-democracy is characterized by the increasing influence of economic elites on political decisions and by the decreasing possibilities for citizens of participating - not only by voting but also through discussions and civic organizations - in the definition of public priorities.

In post-democracy, a powerful minority becomes more influential than the majority of common people in orienting the political system to their own ends. Political elites have learned to manipulate and guide the public. Voters now must be convinced to vote by political campaigns that use increasingly sophisticated marketing techniques borrowed from the advertising industry. The result is that the agendas of political parties and indeed the differences between them have become increasingly vague and meaningless.

Post-democracy retains the forms of democracy - the electoral rituals and the political debate in the media - but not its substance. In fact, that substance represented the possibility that the voice and interest of a great mass of common people could actually have an influence on a country's political agenda. However, the strong imbalance between the influence of big business and that of ordinary people reverses politics to being a matter that regards only elites, as was the case in pre-democratic times.

Gilens and Page (2014) provide strong empirical support for this. They use 1981-2002 data on the policy preferences of three groups of American citizens - elites, interest groups and average citizens - on about 1800 policy issues. Their findings show that economic elites and organized groups representing business interests have a substantial impact on US government policy, while average citizens and mass-based interest groups have little or no influence. When a majority of citizens disagrees with the economic elites and/or organized interests, they generally lose. Very rich people are especially influential. A rich and powerful elite dominates the American political system, making it more similar to an oligarchy than a democracy; or to a democracy of 1%.

Predictably, all this produces a sense of delusion, impotence, disengagement and disempowerment underlying the current crisis of legitimacy, trust, participation and stability affecting most western political systems.

2. Politics for sale

The reason why democracies regressed into post-democracies is essentially economic. Obtaining regulations and laws that protect certain interests is costly. Such costs relate to lobbying and the financing of political parties and candidates - which increases their receptivity to the interests of donors. However, the economic resources available to the various groups to protect their interests vary dramatically and systematically. This makes it easier for economic interests to obtain political protection compared to non-economic interests, not only because they can control huge amounts of money to finance their activities, but also because these activities lead to political protection that increase their profits. Thus, the costs incurred to lobby and to fund political parties are an investment. Conversely, the political protection of non-economic interests does not lead to any economic gain; consequently, the costs to obtain protection represent expenses, not investments. Therefore, when economic interests face non-economic interests - such as protecting children's well-being - the imbalance of resources is overwhelming.

Money plays such a dominant role in determining which interests will be successful in obtaining protection from political parties because it is decisive in determining which parties will win an election. Parties with greater financial resources are more likely to succeed since resources determine the type of media and marketing they can access to promote their cause. The problem is that the costs of electoral campaigns in the Western World spiraled out of control in the past few

decades. In the 2016 US presidential campaign, candidates and parties spent at least $5 billion, more than doubling the cost of the 2012 campaign[12]. This is no exception: every four years, campaign-finance experts document anew the most expensive election in history. The other Western countries follow similar trends.

In the light of post-democracy, the reason why restrictions on advertising targeting children can hardly become part of the agendas of political parties is quite simple: parties need money and corporations - the major purchasers of advertising - are excellent funders. One could bet, and most probably win, that Hillary Clinton would not have turned her support for a ban on advertising to kids - expressed when she was First Lady - into a political decisions had she become president. The reason is the influence gained by corporations on her agenda, through the funding of her presidential campaign.

These types of problems are the main obstacles to the implementation of the relational policies outlined here. The reason is that such policies require protection of interests that are largely non-economic, such as relationships and well-being. The road leading to a relational society can be made less rough by reforming post-democracy with the aim of reducing its dependence on big business. What types of reforms are possible?

3. How to reform post-democracy.

Turning post-democracy into a real democracy requires a change in the rules governing the game of the funding of political parties and their media access. According to Crouch, an appropriate combination of public funding of parties, regulation of their media access and low expenditure limits could obtain good results. In particular, it is necessary to implement the following measures.

1) Severe expenditure limits for political parties would increase the independence of parties and their members from the pressures of big business. Politics should cost much less. This would rebalance the propaganda potential of the various political agendas. This single decision is capable of producing radical changes. It would crush the power that parties with more generous funders

12 http://www.economist.com/blogs/graphicdetail/2016/03/daily-chart-1

have of resorting to the very costly machine that supports electoral campaigns - TV and internet ads, neuro-marketing, polls, etc. Electoral campaigns should be conducted essentially with voluntary work. Money should be no substitute for the capacity to mobilize people.

2) Restrictions on the type of media and advertising that political parties can access would have similar effects as the expenditure limits. The influence of corporations on American politics would have shrunk in the past few decades had political TV ads been banned or restricted.

3) Public political party funding to reduce their dependence on corporations. Whereas public funding is generally adopted in Europe, is not part of the US political tradition. Although it is generally less spectacularly evident as in the United States, post-democracy is firmly rooted in Europe, demonstrating that public political party funding alone is insufficient.

4) “New rules are needed to prevent, or at least closely regulate, the flow of money and personnel between parties, circles of advisers, and corporate lobbies” (Crouch, p. 109). The relationship between private sponsors and public officials, public spending and decision-making, must be clarified and codified. Crouch also recommended re-establishing the concept of public service and conducting research into the effects of the commercialization of public services on their efficiency.

Box: E-politics

The Internet is enabling new forms of political participation and aggregation. Firstly, Internet has made it easier to organize anything, from a football match between friends to a revolution - as we have seen in the case of the Arab Spring. Hence, it has made it easier to organize (and to finance) new political movements. This novelty is already making the political landscape more dynamic. Many of the political novelties that have recently had significant electoral results in Europe, such as Podemos in Spain, the Five Star Movement in Italy, or the Pirates in some Northern countries, have based their organizational activities and debates on online platforms.

As for direct democracy, the extent to which Internet can open up new spaces is widely debated. At a minimum, being able to give our answer to a referendum question by clicking on our computer screens will reduce the organization and participation costs. The Five Star Movement claims that the internet is destined to erode representative democracy, as part of a more general process of disintermediation – which is dramatically characterizing the economy.

However, the Internet can help to improve representative democracy as well. E-voting could ensure the possibility of revoking the electoral mandate. Revocation is a form of control by electors over the politicians whom they mandated to take decisions. By not allowing revocation, current democratic systems actually limit such control to elections. Revocation would ensure *continuous* control and substantially reduce the risk of elected officials obeying the instructions of parties or bowing to political and economic pressures contrary to the voters' will.

If electoral mandates were revocable, many things might have changed in crucial moments of our history. In countries such as Italy, Great Britain, and Spain, which participated to the 2003 US-leaded Coalition of the Willing that invaded Iraq, the great majority of the population opposed the war. Had revocation existed, would the parliamentarians called to vote for an unpopular invasion have followed the opinions of their voters, or the pressures of their parties? The answer is self-evident, given that the latter option would have cost them their jobs.

The revocation of an electoral mandate has always faced a technical problem. The right to revoke a mandate would have to be exercised by those who voted for a certain candidate. However, how can one recognize the voters of each elected politician if the vote is secret?

E-voting offers the possibility of identifying the electors who voted for a specific politician through the use of nicknames and passwords designed to protect the voters' identity. Ernesto Screpanti

proposed using this system to allow voters to revoke a politician's mandate, when a reasonable proportion of their voters so request.

These proposals deserve a thorough discussion to assess their advantages and flaws. However, they suggest that it is possible to change democratic institutions. Their current form is a historical heritage that is revealing its limitations and it must be urgently modified, because it has turned into an instrument of exclusion rather than inclusion.

4. Post-democracy and globalization.

In this historical moment, we face huge problems that can be addressed only with innovative and courageous political choices. Current post-democratic institutions are unable to take such decisions. A good example is the problems generated by globalization.

All political novelties that emerged in the West in recent years originated from the fears that globalization raises. For example, the anti-globalization movement at the turn of the new millennium grew from and coalesced around a violent critique against the globalization wrought by corporations. A more recent example is the wave of nationalism that led to Trump's presidency, to Brexit and to the new parties that transformed the basically bipolar European political landscape into a tripolar, or even quadripolar system.

Nationalist leaders speak about the problems of globalization, but then they shift the blame for them on immigrants, who are in fact the main victims of globalization and certainly not the cause of the problems it creates. The solutions offered by these movements, such as sweeping controls at all borders and throughout the country to stop illegal immigration, are completely unrealistic. At least in Europe - an island of prosperity and stability bordering an area marked by poverty, instability and war - such a measure is as realistic as trying to reduce pollution by catching, one by one, each single polluting molecule.

However, there are other solutions to the problems of globalization that could work, but they would entail the construction of a different global economic order. This requires tackling the interests of global finance, a formidable system for despoiling poor countries of their already scarce capital. It would also be necessary to oppose the interests of the global consumer good corporations, whose marketing campaigns are raising new generations of wannabe compulsive consumers in countries

beset with mass poverty problems. It is a social experiment worthy of a mad scientist, from which corporations are ready to reap the profits, dumping the devastating social costs on all others.

What prevents us from refocusing our dissatisfaction on the real causes of the problems - the restless pursuit of profit and the corporations that promote materialism, destroy communities and create instability worldwide?

The answer is that in the post-democratic scenario, the unrealistic nationalist agenda has a competitive advantage over more realistic proposals that could work but that would require countering powerful economic interests in order to be promoted. In such a situation, the only possible opposition to the nationalist agenda is summarized by the slogan No to Racism, very popular in Europe. This opposition is based on political correctness rooted in European events dating back to over seventy years ago, but that are slowly fading from collective memory. No to Racism alone is probably a lost cause. Over time, it will become weaker and increasingly peppered with distinctions if it is not associated with a concrete problem-solving agenda.

However, post-democracy distorts policy options and the public debate on globalization, hindering constructive agendas that are not based simply on saying no to racism. The lack of alternatives makes unrealistic and costly solutions to immigration problems quite seductive. Post-democracy offers nationalism and racism very fertile and ample ground.

PART FIVE. Policies for healthcare

Healthcare spending out of control?

Part five is devoted to healthcare. I pay special attention to this sector for three reasons. The first is that healthcare is largely a paradigm of defensive spending; the second is that the sector is critical to our well-being; the third is that an enormous amount of money is at stake. In fact, healthcare is the largest economic sector in industrialised countries. It has grown faster than the rest of the economy across many decades, and now accounts for a major portion of GDP. In Europe the only break in the growth of the ratio of healthcare spending to GDP since 2000 was during the great recession of 2008 (figure V. 1).

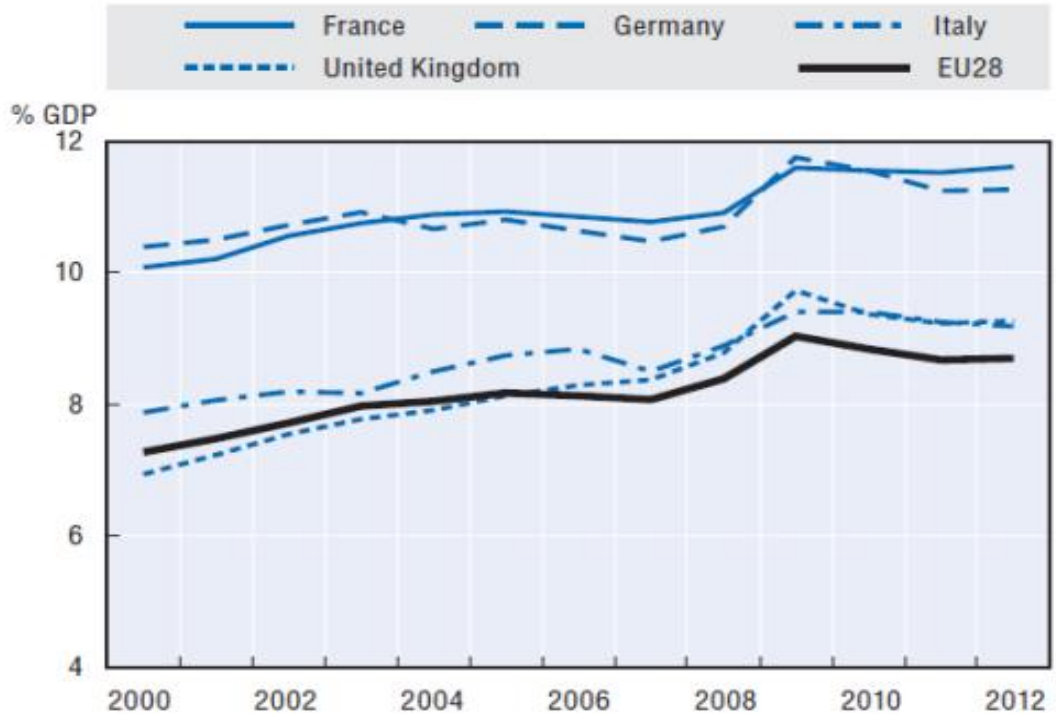

Figure V. 1. Healthcare expenditure as a percentage of GDP in four European countries and in Europe (28 countries), 2000-2012. Source: Health at a Glance: Europe 2014, OECD

In the United States the situation is even worse. The healthcare expenditure/GDP ratio grew much more quickly than in Europe. US healthcare spending was 5% of GDP in 1960 (7.2% in 1970) and now exceeds 18% of GDP in the US. This means that for every $10 currently spent in the U.S., an astounding $1.8 is spent on healthcare, and with much poorer results in terms of longevity, infant mortality and so forth than in Europe. In the U.S. healthcare is projected to reach 34% of GDP by 2040, a third of the economy (CAE Health Report 2009).

However, apart from the disastrous performance of American healthcare, all healthcare systems have absorbed an increasing portion of our economic resources over the past 50 years. The growth in the ratio of healthcare spending to GDP began much before the second millennium, as shown in table V. 1 for the period 1970-1997.

This upward trend has not been affected by the many reforms to healthcare systems in western countries. There is little doubt that these figures are unsustainable and threaten widespread access to healthcare. In the US rising costs were a major reason for the increase in the number of uninsured before Obama's Affordable Care. Soaring healthcare burden is making universal healthcare in Europe increasingly difficult to maintain. It is hard to provide "the same standard for all" when the standard becomes more and more costly.

Why is spending on healthcare spiralling out of control? Pundits agree that an important cause is soaring demand for healthcare. People need (or think they need) more and more medical care. The reasons and remedies to this upsurge in demand are the main subject of this chapter.

Country	**1970**	**1980**	**1990**	**1995**	**1997**
	Percent				
United States	7.3	9.1	12.6	14.1	13.9
Japan	4.6	6.5	6.1	7.2	7.2
Germany	6.3	8.8	8.7	10.4	10.7
France	5.8	7.6	8.9	9.8	9.6
Italy	5.2	7.0	8.1	7.7	7.6
United Kingdom	4.5	5.6	6.0	6.9	6.8

Country	1970	1980	1990	1995	1997
	Percent				
Canada	7.0	7.2	9.2	9.4	9.2

Table V. 1.Total Health Care Expenditures as a Share of Gross Domestic Product: 1970-1997. Source Huber 1999.

Chapter 18. Happiness as disease prevention

1. The medicalisation of health

Healthcare is increasingly expensive but many think that it is money well spent, because medicine gives us more of what counts most: time. Indeed, life expectancy has increased in a spectacular way. The fact that lives are getting longer is great publicity for contemporary medicine. It feeds the widespread opinion that the health of a population is improved essentially by improving the quality of medicine. Promoting health thus implies greater spending on healthcare. Increased longevity makes us confidently hand over our health and more and more money to medicine, because its progress makes us live longer.

This medicalisation of health seems reasonable. However, it is not true that our health is improving or that spending on healthcare is the only way to improve it.

2. Is health improving?

Improved longevity does not seem to have reached a limit, because life has continued to get longer even in recent times. However, having a longer life does not necessarily mean having more lasting health. *Healthy life years* decreased in many European countries. An example is shown in figure 18.1, which refers to the female population between 2010 and 2015. Males exhibit a slightly less disquieting trend. Healthy life years (also called disability-free life expectancy) are defined by Eurostat as years free of any activity limitation.

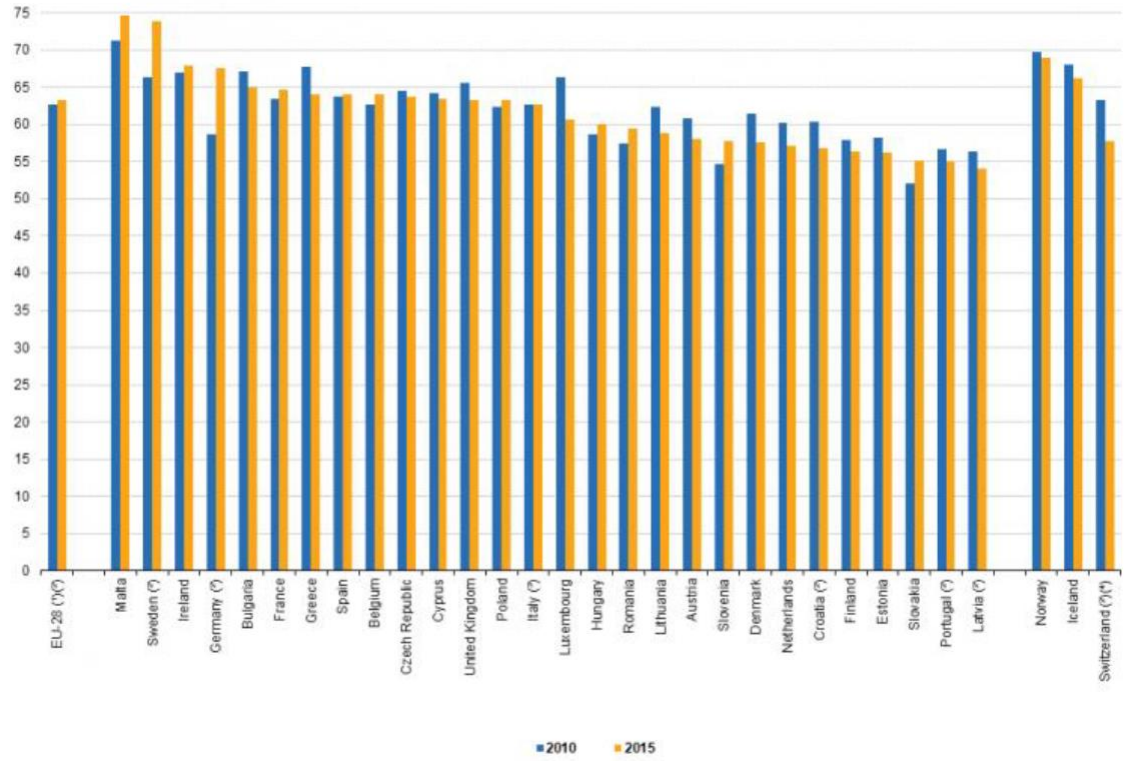

Figure 18.1. Healthy life years at birth, females, 2010 and 2015. Source: Eurostat *http://ec.europa.eu/eurostat/statistics-explained/index.php/Healthy_life_years_statistics*

Importantly, in the period considered in figure 18.1 life expectancy increased more than healthy life expectancy even in those countries where healthy years increased. So, everywhere in Europe longevity and health diverged. In practice this means that a large and growing portion of the population is chronically ill. It is mainly this portion that puts unsustainable demands on healthcare expenditure.

3. How to improve health?

Is it true that spending on healthcare is the principal way to improve health? The link between health and healthcare expenditure is much weaker than it may seem, as shown by an example of Wilkinson and Pickett. Who has the longer life expectancy: John, the average American newborn, or Yannis, the average Greek newborn? John's family income is more than twice that of Yannis's family. American per-capita healthcare expenses are twice those of Greece. In the United States, the

number of scanning devices per person is six times greater than in Greece. One would therefore expect John to live longer than Yannis, but John's life expectancy is actually 0.8 times that of Yannis.

This example illustrates a more general problem: there is no relationship between life expectancy and per capita spending on healthcare in rich countries. The U.S. spends almost twice as much as Sweden and almost three times as much as Japan, but longevity is almost 5 years shorter than in Japan and 3 years shorter than in Sweden (Fig. 18. 3).

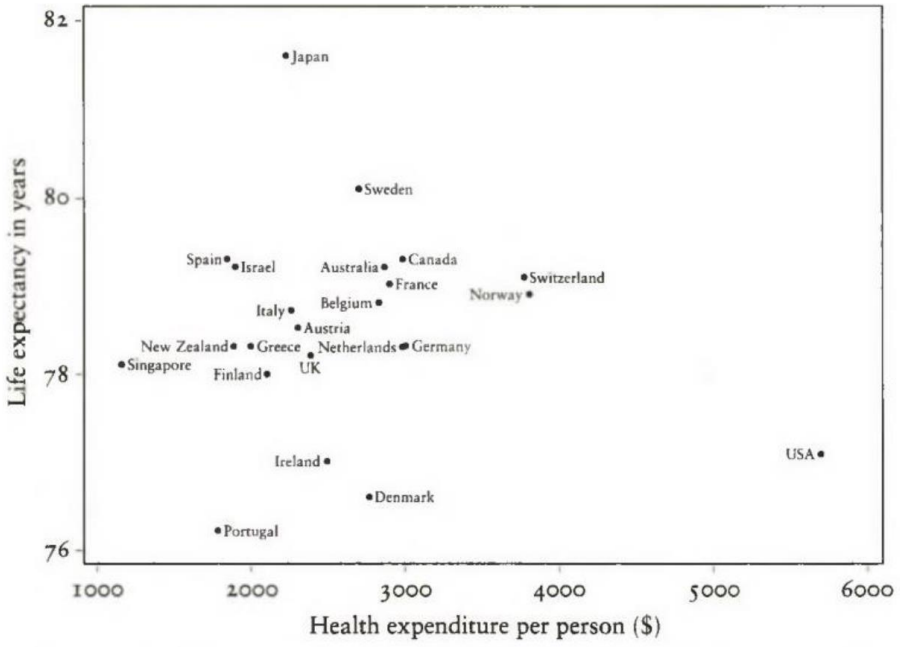

Figure 18. 3. Longevity is unrelated to per-capita healthcare spending (public plus private) in rich countries (currencies converted to reflect purchasing power). Source: Wilkinson and Pickett 2009.

4. Happiness and health

So clearly it is not necessarily true that healthcare buys health and that longer lives translate into better lives. How can a country that spends more than another on healthcare have worse health outcomes? Why is increasing longevity going hand in hand with an increasing population of the chronically ill? Epidemiology has answers to these questions: our health depends greatly on the quality of our relationships and on happiness. Things we do not care about enough.

Epidemiology is the science of the determinants of health, morbidity and death in individuals and populations. In the nineteenth century, epidemiology focused on infectious diseases, which were then the leading cause of death. The evidence produced by epidemiologists backed the great

reforms of the Sanitary Movement that promoted improvement in the health and hygiene of the urban slums. Drainage and sewage systems, waste collection, public baths, better housing, safer working conditions and improvements in food hygiene were introduced into poor neighbourhoods. Such neighbourhoods began to lose their Dickensian aspects and there was a substantial increase in life expectancy, which was very short at the time (Wilkinson and Pickett 2009).

In the twentieth century, when cardiovascular disease and cancer replaced infections as the leading cause of poor health and death, epidemiologists encouraged lifestyles that would eliminate the risk factors. Their mantra became: avoid smoking, alcohol, dietary fats, physical inactivity, etc.

The third phase of epidemiological development occurred in the second half of the 1900s, when the focus shifted to other *psychosocial* risk factors. It was discovered that happiness has a direct impact on health and longevity, and that pessimism, feelings of not being in control of our lives, stress, and hostile or aggressive feelings towards others are major risk factors for ill health.

For example, the risk of cardiovascular disease was found to be double among individuals suffering from depression or mental illness, and 1.5 times greater among those who are generally unhappy (Keyes 2004). The effects of psychosocial well-being on health are estimated to be greater than those associated with not smoking or with physical exercise (Levy et al. 2002).

Moreover, self-perceived health worsens when happiness declines. This does not necessarily imply worse objective health, but people with a poor perception of their health require medical appointments and diagnostic tests (Argyle 2001). Doctors generally agree that anxious people, hypochondriacs and lonely elderly persons, who often seek the doctor out of a need for someone to talk to, weigh on healthcare costs.

Studies in many countries based on different methods and population samples come to the same conclusions. Unhappiness is a major risk factor, while happiness protects health better than anything else. Research has monitored samples of hundreds, thousands, sometimes tens of thousands of persons over many years, sometimes decades. Studies use different measures of happiness, including depression and anxiety scores, optimism, positive and negative affects, stress, ability to enjoy life, ability to smile, hostile feelings and cynicism, reported happiness and life satisfaction.

This variety of well-being measures has produced unambiguous results. The well-being of subjects in the initial observation period has a strong influence on future health and longevity. For example,

initial well-being predicts the development of cardiovascular disease in healthy persons and progression of cardiovascular disease in those who already have it (Hemingway and Marmot 1999), incidence of cancer among initially healthy persons and survival of cancer patients (Williams and Schneiderman 2002), speed of recovery after coronary by-pass surgery and speed of return to normal activities after discharge from hospital (Scheier et al. 1989), probability of survival after stem-cell transplant (Loberiza et al. 2002), hypertension (Raikkonenet al. 1999), female fertility (Buck et al. 2010), mortality among the chronically ill (Guven and Saloumidis 2009), HIV seropositivity (Moskowitz 2003), diabetes (Moskowitz et al. 2008), immune competence, cardiovascular reactivity (Lyubomirsky et al. 2005) and wound healing speed (Kiecolt-Glaser et al. 2005).

Stressful and relaxing events have important physiological consequences. Rozanski et al. (1999) showed that persons with hypertension have significant variations in blood parameters in samples drawn before and after experiencing an earthquake. The latter induced an increase in blood pressure and viscosity lasting 4-6 months. Davidson et al. (2003) documented that individuals who practised meditation produced more antibodies in response to influenza vaccine than controls. Patients awaiting gall bladder removal who practised relaxation had a lower incidence of wound infection after the operation than a control group (Holden-Lund 1988).

In brief, being happy is the best health protection we can have.

Box: Why does well-being influence health?

The human body is extraordinary at reacting to what we call acute stress. When we are involved in a stressful event, our body activates what is called the fight or flight reaction. Hormones secreted by the adrenal glands mobilize energy supplies: the immune system is activated, the blood vessels constrict, heart and lung activity increases, clotting factors are released into the bloodstream in prevision of injury, the brain becomes more reactive and pain perception is dulled.

This amazing reaction is protective if the emergency ends quickly but harmful if it becomes chronic. In the latter case the brain loses memory and cognitive functions, the risk of depression and insomnia increases, the immune system deteriorates, chronic constriction of blood vessels increases the risk of hypertension and cardiovascular disease, and digestive and sexual functions may be upset. In short, the biology of stress indicates that the problem is not stress but chronic stress. Chronic stress consumes us (Wilkinson and Pickett 2009).

Research on isolated individuals – who tend to be very unhappy – has provided emerging evidence of the role of hormonal and neuro-endocrine effects on gene transcription and cell immunity, linking unhappiness and morbidity (Hawkley and Cacioppo 2010). Other research suggests that social isolation is strongly associated with unhealthy behaviors (Hawkley et al. 2003).

Box: Happiness and longevity: the nuns' study

In the 1930s, a group of young nuns was asked to write short autobiographies. The emotions expressed in these autobiographies were analysed 65 years later. Researchers found that the mortality of the nuns was accurately predicted by the amount of positive emotions expressed in the autobiographies written 65 years earlier. Ninety percent of the top 25% of the ranking (those expressing more positive emotions) was still alive at the age of 85 years, while only 34% of the bottom 25% was still alive. The risk of confounding factors is very low in this kind of study. The nuns had a very similar lifestyle and ate similar food throughout their lives (Danner et al. 2001).

5. The social cure

Apart from happiness, epidemiologists have also focused for decades on two other psychosocial risk factors: poor relationships and economic inequality. Poverty of social and affective relationships

increases mortality and morbidity. Similarly, citizens of highly unequal countries experience poorer health and shorter lives than citizens of more equal countries (Wilkinson and Pickett 2009). Inequality boosts social comparisons and since poor relationships and social comparisons play a critical role in generating distress, their impact on health is likely to be mediated by their impact on happiness.

Epidemiologists have long been aware of the importance that relationships have for health. If physicians were fully conscious of these epidemiological findings, at check-ups they ought to ask patients how their relationships are going before measuring blood pressure, or enquiring about diet, physical activity and smoking. They should ask whether patients have many friends, if they are satisfied with their relationships with friends and partners, whether they participate in voluntary groups or associations and whether they trust others. Unless patients answer that their emotional and social lives are rich, doctors should not confirm that they are doing the all right things for a long and healthy life.

Since the seventies, a flood of research has documented that having friends, identity and loving relationships, participating in groups and associations, and enjoying social support are the best ways to protect our health (Berkman and Glass 2000; Stanfeld 2006). Social integration has a major impact on public health. In addition, stress early in life, even prenatally, has significant effects on physical, emotional and cognitive development, as well as on health throughout life (Wilkinson and Picket 2009).

For example, socially isolated heart attack patients have nearly twice the probability of another heart attack within 5 years as patients with a rich social life. Being isolated from others had a much higher impact on the probability of having another heart attack than well-established risk factors, such as coronary artery disease or physical inactivity (Jetten et al. 2012). Social connections decrease the mortality from ischemic heart disease. Those who are socially isolated are at 2 to 3-fold increased risk of death over 5 to 9 years when compared to those most connected (Kaplan 1988). Isolated individuals with coronary artery disease are more than twice as likely to die than socially integrated individuals (Brummett et al. 2001).

These effects not only concern those with serious health problems. Social isolation even makes people more vulnerable to the common cold. Isolated individuals have twice the probability of catching a cold than more sociable individuals, although the latter are presumably much more

exposed to infection (Cohen et al. 1998). Other studies have shown that wounds heal faster in persons with good marital relationships. In addition, Putnam (2004) showed that persons joining a voluntary group for the first time reduce their probability of death in the coming year by 50%.

Comparing American states, average participation in voluntary associations predicted average mortality rates, infant mortality, and death from coronary heart disease and cancer (Kawachi et al. 1997). Likewise, a health index in American states was strongly correlated with various indicators of sociability (Putnam 2000).

After kids and teens, older adults are the population group at highest risk of social isolation. Eighty percent of young people under 18 years of age and 40% of individuals over 65 years report feeling lonely at least sometimes. Levels of loneliness gradually diminish throughout mid-life, and then increase in old age (Berguno et al. 2004, Pinquart and Sorensen 2001, Weeks 1994). Reduced inter-generational living and family size, greater geographical mobility and the decline in community ties all contribute to make loneliness an increasing part of the experience of growing old.

This is a major threat for health. While in young age loneliness mainly creates mental health problems, in the old age it largely translates into deterioration of physical health as well. Lonely or isolated older adults are at greater risk for all-cause mortality (Valtorta et al. 2012). A meta-analysis of 148 longitudinal studies, observing more than 300,000 individuals for an average of 7.5 years, found that individuals who have poor social connections have double the mortality risk of individuals with strong social ties (Holt-Lunstad et al. 2010). This effect is greater than that of other well-established risk factors for mortality, such as physical inactivity and obesity, and comparable with cigarette smoking.

Similarly, older individuals who are lonely are at greater risk of increased morbidity related to the major causes of disease burden in the elderly. Social isolation has been associated with increased risk of development and progression of cardiovascular disease (Hawkley and Cacioppo 2010, Knox and Uvnas-Moberg 1998) and dementia (Fratiglioni 2000). Another study by the Harvard School of Public Health followed more than 16,000 seniors for a period of six years and found that memory among the least integrated declined at twice the rate it did among the most integrated (Ertel et al. 2008). In a sample of 800 older adults, lonely individuals were more than twice as likely to develop Alzheimer's disease than those who were not lonely, over four years of follow-up (Wilson et al. 2007).

Box: Research on entire lives

The Harvard Study of Adult Development is the longest study of adult life ever conducted. Several generations of researchers tracked the lives of 724 males for 75 years. The subjects belonged to two groups: Harvard College students and boys from Boston's poorest neighbourhoods. The latter were from some of the most troubled and disadvantaged families of Boston in the 1930s. When they entered the study, all these teenagers were interviewed, as were their parents, and underwent medical examination. They grew into adults, then became elderly, and finally most of them died. About 60 of the original 724 are still alive and still participating in the study: most of them are in their 90s.

This study is exceptional for the amount of information it provided on entire adults' lives. Year after year, researchers interviewed participants in their living rooms, talked to their children, obtained their medical records from their doctors, drew their blood, scanned their brains and videotaped them talking with their wives about their deepest concerns.

The conclusion from 75 years of evidence is that good relationships keep us happier and healthier. One of the former directors of the program, George Vaillant, commented: "Happiness is love. Full stop." During their lives, some of the participants climbed the social ladder and others sank, but this was not what predicted their future health and happiness. It was their connection to family, friends and community. Those who were more connected were happier, physically healthier, and lived longer than those who were less well connected. On the other hand, loneliness killed. People who were more isolated were less happy, their health declined earlier in midlife, their brain function declined sooner and they lived shorter lives than people who were not lonely. [13]

This conclusion should warn us about possible surges in healthcare spending in societies, such as the U.S., where more than one out of five individuals report being lonely.

13 http://www.adultdevelopmentstudy.org/, https://www.youtube.com/watch?v=8KkKuTCFvzI

Box: Daily effects of relationships on health
It was recently documented that poor social relationships affect the immune system, stimulating production of inflammatory substances that favour the onset of many diseases. A sample of 122 persons made a note of their positive and negative social interactions for 8 days: for example, time spent with friends or help from partner or relatives on the positive side and a disagreement with a friend or family member on the negative side. In the four days after this period, saliva samples were obtained from the participants to analyse concentrations of two pro-inflammatory hormones. Persons who had experienced negative interactions had higher levels than those who had experienced positive interactions with others. This result suggests that secretion of inflammatory substances in response to unpleasant interactions occurs on an almost daily basis. Every stressful event seems to take away a piece of health (Chiang et al. 2012).

6. Preventive happiness

Epidemiological research answers questions such as why Yannis has a longer life expectancy than John. The answer is that the health of populations in countries with first class healthcare may be burdened by psychosocial risk factors. In 2003, the United States spent around $100 billion to treat its citizens' mental illnesses (Wilkinson and Pickett 2009). This stunning American figure amounts to several times the cost of the Channel tunnel, the most costly infrastructure ever built.

Unhappiness is expensive. Its medicalization is an aspect of societies that believe problems can be solved by appropriate purchases. From this point of view, most psychiatry is a fully fledged member of materialistic culture. Each generation of psychiatrists thinks it has found the Holy Grail: an antidepressant that eases the pain of living without destroying our lives. Freud thought he had found it in cocaine. In the mid twentieth century, psychiatrists thought they had found it in amphetamines and then in tricyclic antidepressants. Towards the end of the century, Prozac and other similar substances became the Holy Grail, until it was discovered that they are addictive, no more effective than placebo and induce suicidal behaviour. Generation after generation, the Holy Grail of the previous period is consigned to the archive of errors, like electroshock treatment and psychosurgery.

Although huge, the figures of psychiatric treatment only capture a small portion of health expenditure generated by unhappiness. Malaise and poor relationships translate into poor physical

health as well. Increasing healthcare expenditure may reflect deterioration of well-being without improving health. Health is largely a problem of well-being and well-being is largely a problem of social relations. An improvement in relationships can reduce morbidity and healthcare spending.

Much prevention of disease should therefore take place outside the healthcare system, focusing on the promotion of well-being. There is nothing new about this kind of prevention. The principle improvements in health have often taken place outside healthcare systems. For example, many people think that the big increase in average life expectancy is due to the invention of medicines, especially antibiotics that eliminated the infectious diseases that plagued humans for most of their existence. This belief is an aspect of the great success obtained by the medicalization of health, because it is actually untrue. The great leap forward in longevity occurred in the second half of the nineteenth century, before antibiotics, with improvements in hygiene, living conditions and nutrition.

Advanced societies are burdened by a wrong distribution of healthcare spending, which prioritizes treatment to the detriment of prevention. This wrong distribution is linked to economic incentives produced by a market economy. No one sells quality of life, but many sell remedies for the damage wreaked by low quality of life. Economic incentives also lead to excessive emphasis on prevention based on mass screenings. The first form of prevention should be to promote well-being through relational policies, but Big Pharma sells diagnostic tests and not policies for well-being.

So far, limitation of healthcare demand has largely relied on medical information about healthy lifestyles, such as not smoking, doing physical exercise and eating correctly. However, the happiest lifestyle is being happy. Demand limitation requires removing a number of social and cultural obstacles to happier lives.

The growing awareness that poor relationships are a major risk factor for health recently led to the creation of a ministry of loneliness in the UK. There is good reason for policies aimed at tackling loneliness. Nine million Brits suffer from social isolation – almost one in six – and at least 200,000 elderly report no conversation with friends or relatives for at least a month (Kentish 2017).

Elderly persons are at high risk of loneliness and at the same time, are a major burden on healthcare systems. Tackling loneliness in old age should be considered a priority for reducing healthcare demand in the medium term.

However, relational goods of youngsters – the population group at highest risk of loneliness - are critical for disease prevention in the very long term. Social skills and values that affect individuals' relationships throughout their lives are largely acquired in youth. Failure to acquire social skills during childhood sets lives on a path where loneliness and conflict are more likely to be frequent. A similar effect can be expected from early acquisition of materialistic values. Loneliness, materialism and poverty of social skills in youth are warning signals for long-term morbidity and mortality.

7. From curing the illness to caring for the ill

Relationships are also crucial for healing people and not just for keeping them healthy. The patient-doctor relationship is critical in medicine because medical personnel interacts with patients when they are most vulnerable. Relational quality always plays a fundamental role in patient well-being and therapeutic effectiveness, but it has special importance in the case of severe or even incurable diseases, where the physician has to deal with frightened, depressed and anxious patients, who are therefore highly sensitive to the relational atmosphere that surrounds them.

Usually doctors have poor or no training in relational skills. Rather, they learn to deal with diseases instead of patients. Yet, research shows that the psychological aspects of their relationship with patients are fundamental for therapeutic effectiveness. For example, Williams et al. (2000) found that when medical staff is empathetic and involves patients in decision making, patients have better physical and psychological health, fewer visits to the doctor, more health-oriented behavior, better adherence to prescriptions and greater satisfaction with therapy. Stewart (1995) reviewed the literature on the effects on health of good communication between patients and doctors. Most articles found positive effects, such as better emotional health (less anxiety and stress), faster recovery, better physiological condition (blood pressure, blood sugar) and better pain control. Another study (Stewart et al., 2000) showed that a model centered on patient needs and expectations improves therapeutic effectiveness and reduces the number of diagnostic tests and medical appointments. When the empathy of health personnel improves, so does patient satisfaction and adherence to treatment (Kim, Kaplowitz, and Johnston, 2004).

The question of adherence to treatment is important because it is estimated that 25-50% of patients do not stick to the prescribed therapy (Di Matteo 2004; Vermeire et al. 2001). This implies protracted illness, extra medical appointments and more hospital readmissions. A review of 127

studies found a significant relationship between style of communication of doctors and adherence to therapy (Zolnierek and Di Matteo 2009). Patients of doctors with an impersonal and non-empathetic style of communication stuck to the treatments prescribed 19% less than those with doctors having better communication ability. Relational training positively influences the communicative style of doctors. Adherence improves by 16% if doctors have had relational training. The quality of the doctor-patient relationship is not an optional extra, at least according to patients. They think that a doctor's capacity to communicate is often unsatisfactory and that it is one of the most important attributes that doctors should have (McBride et al. 1994).

Low awareness of the importance of relationship and persons care in medicine is reflected by decades of policy advocating budget cuts to nursing personnel and increased nursing workload. However, the cost of nursing personnel is relatively small compared to the benefits it brings. A recent study analysed more than 400,000 patients, 50 years of age and over, who underwent common surgical operations in 300 hospitals in nine European countries (Alkenet et al. 2014). It found that for every extra patient in the care of a nurse, the probability that a patient die within 30 days of admission increased by 7%. Mortality was not only affected by nursing workload, but also nurse training. If the percentage of graduate nurses in a ward increased by 10%, the probability of a patient dying within 30 days of admission fell by 7%. In hospitals where 60% of nurses were graduates and each nurse was responsible for an average of six patients, mortality was 30% less than when only 30% of nurses were graduates and each cared for an average of eight patients. These results are in line with those obtained in earlier studies (Rafferty et al., 2007; Diya et al. 2012).

These studies suggest that investing in nurses, namely in their training and in reducing their workload, gives excellent results, and costs a tiny fraction of the underutilized high-tech equipment found in many western hospitals.

In medicine, neglect of the relationship between medical personnel and patients is an effect of economic incentives. The drug industry cannot sell relational quality. Because it sells medicines, progress in awareness of the importance of relationships in healthcare is slow. Knowledge makes slow progress when it concerns things that cannot be sold or that do not have high profit margin.

8. Defensive medicine

Despite its critical nature, the doctor-patient relationship is perhaps the most dysfunctional aspect of healthcare organization. The crisis of this relationship is reflected by the cost of malpractice insurance coverage, which has been increasing for decades. The frequency of legal action against doctors for malpractice increased by 10% annually in the period 1970-1989 in the U.S. (U.S. General Accounting Office, 1986; Danzon, 1991). In Italy, legal action for malpractice increased almost fourfold in the period 1994-2012 (Ania 2014).

Basically, patient suspicion of doctors has advanced enormously. The public is bombarded with frequent press reports of healthcare scandals, in which the cynicism, incompetence and negligence of doctors is portrayed in grotesque terms, demolishing the foundations of the paternalistic relationship that traditionally characterized the doctor-patient relationship.

Patients trust doctors less and less and doctors respond. They increasingly perceive patients as pretentious amateurs, ready to check any information on Google and engage a lawyer at the least suspicion. Doctors therefore protect themselves by minimizing the risk of legal action by part of patients. They do this by prescribing unnecessary screenings and treatments so as not to be accused of failing to do and try everything possible. This is so-called defensive medicine. The cost is borne by national health systems, insurance companies and patients, who undergo screenings that may be invasive and that expose them to the risk of overdiagnosis. By means of defensive medicine, doctors transfer the cost of minimizing the risk of legal action to other subjects.

The incidence of defensive medicine on U.S. healthcare expenditure is estimated at around 10% (Mello et al. 2010). In Italy, defensive medicine is estimated to account for 10.5% of national health system spending and 11.8% of total healthcare spending (public and private) (Piperno, 2010).

Defensive medicine is a consequence of declining cooperation in doctor-patient relations. It is the flip side of the relational disease of medicine, that of curing the illness instead of the patient. The doctor-patient relationship only works if it is perceived by both as a caring relationship based on trust. It is instinctively understood that doctors have various ways of making money by bad conduct. Thus, suspicion is always a possible companion of medicine. However, widespread mistrust is fatal for the system. It is essential that patients trust doctors. The trust of doctors in patients is crucial as well. Indeed, for the sake of medicine, doctors must feel free to try different solutions.

The problem is that trust in medicine is shrinking. In 1966, nearly three quarters (73%) of Americans said they had great confidence in the leaders of the medical profession. In 2012, only 34% expressed this view. Today, only 23% of Americans report a great deal or quite a lot of confidence in the system (Blendon et al. 2014). Rampant defensive medicine is one of the costly effects of the decline of trust in medicine. Another consequence is the current proliferation of (sometimes highly dubious) alternative medicine and treatments. In several European countries, current widespread opposition to certain vaccines – accused of serious side-effects, allegedly hushed by mainstream health communications – is yet another consequence.

Countries such as Sweden and New Zealand have taken interesting measures to clip the wings of defensive medicine. In these countries, the national health system is financially responsible for medical malpractice instead of doctors themselves. Doctors can, of course, be subject to disciplinary action. Reducing or eliminating the financial responsibility of medical practitioners towards patients seems to sharply reduce incentives for defensive medicine (Weiler, 1993; Towse and Danzon, 1999).

In any case, the doctor-patient relationship needs to be reformed. Building empathy and trust between doctors and patients is a condition for the sustainability and effectiveness of healthcare expenditure.

Box: Cuban relational healthcare

There is a saying in Cuba: “We live like the poor, and die like the rich”. It sums up experience of the Cuban revolution, which was a substantial economic failure, but achieved at least one extraordinary result. Cuba is the only poor country that has the healthcare outcomes of a rich country. Per capita healthcare expenditure in Cuba is about 5% of the U.S. figure ($431 per head per year compared with $8,553 in the US, according to World Bank data), with similar results in terms, for example, of longevity and infant mortality. As Secretary General of the United Nations, Ban Ki-moon, observed: “Cuba can be proud of its health care system, a model for many countries”. He defined the Cuban ELAM (Escuela Latino Americana de Medicina) “the world’s most advanced medical school.” The World Health Organization (WHO) was impressed by the country’s medical achievements. Cuba was chosen to chair the 67th World Health Assembly in May 2014 in recognition of the excellence of its healthcare system.

How did the Cubans manage to obtain a benefit-cost ratio that is absurdly high by western standards? The approach to medicine is radically different in Cuba, starting with medical training. The curriculum combines population-based public health principles, prevention and clinical medicine. Students work with Cuban communities even in their basic science years and public health is an important subject in their clinical training. The focus is bio-psycho-social, centered on individuals, families and community (Frank and Reed 2005). Education emphasizes the intrinsic motivation of doctors. The Cuban approach to medical training is a paradigm shift in what it means to be a doctor: it reverses “the trend that has patients becoming clients and customers, while healers become income-driven service providers” (Frank and Reed 2005, p. 4).

Cuban healthcare is based on close relations between doctors and patients; doctors are strongly rooted in the community. This “relational medicine” has produced an original model based on spatially decentralized healthcare, the success of which rests on prevention and early treatment.

Family doctors work in clinics and care for everyone in the neighborhood. At least once a year, the doctor knocks on each person’s door for a check-up (at home or elsewhere, if they prefer). The check-up involves many questions about jobs and social and emotional life, information that is aided by being right there in the person’s home. Doctors classify patients into risk categories and establish how often they need to be seen. Western systems, where people bounce between specialists and hospitals, are fragmented by comparison. The Cuban system fosters a holistic

approach centered on trust between patients and a primary-care physician[14]. Most residential blocks still have a doctor's office; the doctor lives upstairs and is on call.

Today Cuba sends more doctors to help in developing countries than all G8 countries combined. There are currently more than 70,000 Cuban doctors and more than 20% are in mission in 66 countries[15]. Cuba's medical missions have become the country's most profitable resource as well as a diplomatic tool. In 2014, overseas healthcare services were estimated to bring in $8.2 billion, putting them ahead of tourism.[16]

Although many aspects of this model cannot be replicated in rich countries, the Cuban example suggests a quite different approach from the costly pursuit of high technology by healthcare systems. Cuban healthcare casts an existential doubt on its western counterpart: could good health outcomes be obtained spending much less money than is spent in the West?

9. Medical knowledge

I previously discussed the difficulty of transforming goods into commodities (chapter 8), namely of transforming what can meet our needs into marketable objects. Knowledge was an interesting example. For thousands of years, people more than objects were vehicles of knowledge; the transmission of knowledge was based on non-market mechanisms mostly involving affective and social links, such as community and family ties.

Knowledge became saleable when patents and other forms of intellectual property were introduced. Patents grant temporary monopolies for inventions, which the holder may exploit himself or transfer to others. Thus, patents create a formidable incentive for research because patented innovations can be sold. Since the nineteenth century, this ensured an impressive acceleration in technical progress. Now technologies and products change from generation to

14 https://www.theatlantic.com/health/archive/2016/11/cuba-health/508859/

15http://www.thestar.com/news/world/2012/06/02/cubatrained_doctors_making_difference_around_the_world.html

16 https://elpais.com/elpais/2017/02/10/inenglish/1486729823_171276.html

generation and often revolutionize daily life, whereas throughout most of human history, one generation used more or less the same technologies as the preceding one.

Medicine is a good example. Economic incentives led to investment in research that created drugs fundamental for human health, longevity and well-being, making the pharmaceutical industry a prosperous and thriving activity. Drug research responds well to economic incentives because new molecules are patentable. Things worked smoothly while drug research continued to produce innovations. With time, however, it has become increasingly difficult to find new molecules that are more effective than existing ones. The number of patents has declined progressively in recent decades. An OECD report confirms that the discovery of new active molecules has decreased, despite an increase in investments in R&D (OECD 2008). Drug research is on the ebb.

Most importantly, market incentives do not solve the problem of how to advance forms of knowledge that cannot be embodied in saleable products. It is easy to conceive such examples in medicine. If, for example, cancer could be prevented by certain diet, such a discovery would bring huge benefits to humanity but no benefit to its inventor. Diet prescriptions travel freely on the internet. This is probably why funds for dietary research are a tiny fraction of those going to chemotherapy and radiotherapy. Obviously, I am not claiming that diet could be a prevention for cancer; I am saying that if it were, we would probably never know.

Turning to less extreme cases, medical research does not usually focus on low-cost treatments. The path that research takes under economic incentives involves a lot of technology and chemistry, few and poor relations, and little care. Care and relations are cheap but the pharmaceutical industry does not sell them.

The situation is exacerbated by the reduction in public funding for research. Most public universities have faced a growing shortage of public funding, while research costs have exploded in recent decades due to rising laboratory costs.

The result is that almost all the knowledge produced in medicine today comes from Big Pharma. Leaving the production of knowledge crucial for well-being entirely in the hands of private interests – currently in a state of crisis – is dangerous. We must radically reform the incentives for medical research. A sharp increase in publicly funded medical research, different from for-profit knowledge, should be considered a priority.

The future progress of medicine may reside largely in the expansion of non-profit or low profit knowledge. This could include training physicians in empathy or research into non-marketable therapies, instead of just massive investment in traditional pharmaceutical research. The declining innovative capacity of chemistry means that the vast drug industry dominated by large multinational corporations is wasting resources. These companies are dinosaurs that should downsize.

Chapter 19. Manipulation of medical knowledge

1. The medicated society

Predictably, pharmaceutical dinosaurs are extremely reluctant to downsize. They react to their crisis by promoting the medicalization of health. The medicalization of health is the result of the tenacious, meticulous, patient and extremely expensive manipulation of medical knowledge. The health sector is now largely based on targeted disinformation. Overestimation of the benefits of treatment and prevention, underestimation or total silence about risks, exaggeration of threats to health have become the new driver of growth in the sector, replacing drug research. Manipulating the public has become a crucial skill for managers in the industry. Manipulation has turned out to be the core business of Big Pharma, the aspect to which it dedicates most of its effort, ingenuity and economic resources.

In this way medicine has invaded our lives, filling them with unmotivated fears and faith, with tests and therapies. The result is a medicated society. Let me now document these claims.

2. The invention of illness

“Drug companies increasingly promote diseases to fit drugs, rather than the reverse” (Angell 2004). The invention of illnesses, usually called disease mongering, includes redefining ordinary life events, like menopause or baldness, as illness (Moynihan and Henry 2006). It includes treating risk factors like cholesterol, hypertension and osteoporosis as diseases (De Fiore and Domenighetti 2013) or depicting minor upsets, such as irritable bowel syndrome, (Moynihan and Cassels, 2005), erectile dysfunction, generalized anxiety disorder, premenstrual dysphoric disorder, gastroesophageal reflux disease (Angell 2004), and female sexual dysfunction (Tiefer, 2006), as serious diseases. Absurdly inflated clinical prevalence figures support marketing campaigns aimed at persuading millions of people in rich countries that they need long-term treatment.

In practice, many medical awareness campaigns that shape our perception of diseases, as citizens, healthcare professionals, journalists, academics or healthcare policy makers, are promoted and directed by pharmaceutical marketing and not by those whose main concern is people’s health. Drug marketing agencies concern themselves with “fostering the creation” of new disorders and

dysfunctions (Parry 2003) and shaping public opinion with regard to the latest in healthcare (Moynihan and Henry 2006).

The drug industry is not the only actor in this play. Investigative journalists have revealed that the public is conditioned by informal alliances between pharmaceutical groups, marketing and public relations agencies, groups of doctors and the mass media. This has been happening for quite some time: since at least the 1990s, when the innovative capacity of Big Pharma was already in decline and the industry began the search for new horizons. It found them, as explained in the following box.

Box: Pharmaceutical marketing

In Vivo Communications is a major company specialized in corporate-backed medical education. About 15 years ago, an American journalistic investigation leaked a confidential report of the company that set out the details of a three-year “medical education program”, aimed at creating the perception that irritable bowel syndrome was a “credible, common and concrete disease” (Moynihan et al. 2002). This program was part of the marketing strategy for a drug made by GlaxoSmithKline for irritable bowel syndrome.

The aim of the program was to establish the irritable bowel syndrome “in the minds of doctors as a significant and discrete disease state.” Patients, too, had to be persuaded that the irritable bowel syndrome is “credible, common and concrete disease.” How was this to be done? First by forming a commission of eminent gastroenterologists, termed KOLs (key opinion leaders). Its role was to guide medical opinion on the latest in gastroenterology, develop guidelines for diagnosis and treatment, take part in international conferences, and be interviewed by top medical journals read by doctors, pharmacists and nurses. Obviously it was also necessary to concentrate on patients: a support program was ready to create loyal customers, so that GlaxoSmithKline could "reap the loyalty dividend when the competitor drug kicks in” (Moynihan et al. 2002).

Another example. In 1997, Roche was promoting an antidepressant. It began in Australia with a press conference organized by its public relations agency. It was announced that one million Australians suffered from social anxiety disorder, also known as social phobia, an undiagnosed psychiatric illness, for which the drug was particularly indicated. A big conference on social phobia, financed by Roche, launched an intense publicity campaign. A year later a newspaper article announced that Australian society was plagued by a psychiatric disorder affecting two million persons: shyness.

So already in the late 1990s, the dividing line between a personal difficulty and a psychiatric disorder began to break down. Roche was among the pioneers of the new credo of drug marketing: if you want to advertise a drug, first advertise the disease. Pharmaceutical Marketing's practical guide claimed that the medicalization of human distress seemed limitless. The guide cited the creation of social phobia as a case of marketing success. It worked in the United States but Europe had yet to be colonized. The guide suggested this be done by mobilizing American

opinion leaders through conferences, publications, meetings and commissions to spread the conviction in Europe that social phobia was a real clinical entity (Cook 2001).

Obviously there were well-known examples of manipulation of information before the 1990s, like the baby formula campaign in the sixties that convinced millions of mothers to wean their babies off the breast. Since the nineties, however, manipulation of information seems to have become a central and systematic activity of corporations. The concept of pharmaceutical marketing widened to include all direct and indirect ways of influencing the public, including medical information campaigns. Clearly I am not claiming that all such campaigns are deleterious. Some are very useful. The problem is that useful campaigns now seem to be a diminishing fraction of the total.

3. Overdiagnosis and overtreatment

Besides inventing diseases, the new frontier of the pharmaceutical industry is the production of new tests and the promotion of mass screening. Most tests are actually useful for procuring new patients to treat, selected among people who will never get sick. This proliferation of diagnostic tests is promoted by a compelling association between testing and prevention. This association is increasingly questioned (Cassels and Welch 2012).

In 1970, Richard Ablin discovered prostate-specific antigen (PSA). In 2010, he wrote a New York Times editorial entitled *The great prostate mistake*: “I never dreamed that my discovery four decades ago would lead to such a profit-driven public health disaster. The medical community must confront reality and stop the inappropriate use of P.S.A. screening. Doing so would save billions of dollars and rescue millions of men from unnecessary, debilitating treatments (…). The test is hardly more effective than a coin toss (…), it can’t detect prostate cancer and, more important, it can’t distinguish between the two types of prostate cancer — the one that will kill you and the one that won’t (…). Men with low readings might still harbor dangerous cancers, while those with high readings might be completely healthy.” The test is so imprecise that “that 48 men would need to be treated to save one life. That’s 47 men who, in all likelihood, can no longer function sexually or stay out of the bathroom for long.”

There are many articles of this type on the PSA test (e.g. Parker-Pope 2009). Fifty to seventy percent of men over 50 years of age do not seem to have read these articles, since they continue to undergo screening for prostate cancer. Their doctors presumably did not read the articles either.

Mammograms have also been accused in top scientific journals by articles with explicit titles, such as "It isn't wrong to say no" (to mammograms) (Heath 2009), "Rethinking Screening for Breast Cancer" (Esserman et al. 2009) and "Abolishing Mammography Screening Programs?" (Biller-Andorno and Jüni 2014). The criticism is based on evidence suggesting that mammograms may be more harmful than beneficial.

The risk-benefit ratio of breast screening (ratio of women needlessly treated for tumors that would never have evolved to the number of deaths avoided) is estimated at about 10:1 (Gøtzsche and Jørgensen, 2013). In other words, for every woman saved, ten were needlessly treated with the invasive weapons of the anti-cancer arsenal. Other studies estimate a ratio of 3:1 (Independent UK Panel 2012), 5/15:1 (Kalager et al. 2010), or 5:1 (Welch et al. 2016). The most optimistic study (accused of heavy data manipulation by Gøtzsche (2012) estimated a ratio of 1:2 (Paci and Euroscreen 2012). Note that this most optimistic estimate meant that for every two women saved, another was needlessly disfigured by surgery, poisoned with chemotherapy and/or burned with radiotherapy. However, it is even more noteworthy that only the most optimistic study is cited on the pertinent site of the Italian Ministry of Health,[17] as observed by Domenighetti (2013).

The case of the Italian Ministry of Health is not the only case of disinformation. Much information on prevention of breast cancer is disseminated by local health authorities, where those who earn their livelihood from mammograms are in charge of producing it. The result of this "information" is the dissemination of false beliefs and myths: 81% of Italian women think that regular mammograms reduce or eliminate the risk of breast cancer (Domenighetti et al. 2003).

Beyond breast and prostate cancer, there is a long list of diseases for which there exist evidence of extensive overdiagnosis (Moynihan et al. 2012). It includes asthma (Aaron et al. 2008); attention deficit hyperactivity disorder (Morrow 2012); chronic kidney disease (Winearls and Glassock 2011); gestational diabetes (Cundy 2012); high blood pressure (Hodgkinson et al. 2011); high cholesterol

17 www.salute.gov.it/portale/salute/p1_5.jsp?lingua=italiano&id=23&area=Screening

(Welch et al. 2011); lung cancer (Reich 2008); osteoporosis (Herndon et al. 2007); pulmonary embolism (Prasad et al. 2012); thyroid cancer (Davies and Welch 2006).

An epidemic of overdiagnoses leads naturally to an epidemic of overtreatments. About 50% of coronary angioplasties are inappropriate (Chan et al., 2011). In the United States roughly 30% of health care expenditures is estimated to be wasted on non-beneficial measures (Fisher et al. 2009). Out of 3000 currently performed treatments, only 11% have scientific evidence of being beneficial.18

18 http://clinicalevidence.bmj.com/x/set/static/cms/efficacy-categorisations.html

Box. Early diagnosis of cancer

The early diagnosis of cancer is a delicate question that is tackled by the health system with suspicious superficiality. The problem is that we harbor many tumors, most of which will never develop or acquire clinical importance. The autopsy prevalence of the most common tumors in road and other accident victims is much greater than the clinical prevalence: 39% of women between 40 and 50 years of age harbor a breast tumor; 46% of men between 50 and 70 years harbor a prostate tumor; after 60 years of age almost everyone has thyroid carcinoma in situ (Black et al. 1993). The clinical prevalence of these tumors in these age groups is much lower. This means that early diagnosis largely detects tumors that will never develop. It is certain, however, that the quality of life of those positive to screening will be devastated and their risk of future tumors will soar, since chemotherapy and radiotherapy are carcinogenic.

It is not difficult to imagine that the increasing sophistication and dissemination of screening, the frontier of which is to find every single cancer cell, will produce epidemics of tumors. What will happen, for example, if a new breast screening technique, breast-specific gamma imaging is released? This method detects tumors a millimeter in diameter, as against more than 10 mm for current mammograms. The above figures on the autopsy prevalence of tumors provide the answer: almost 4/10 women between 40 and 50 years of age will be positive for breast cancer and will be treated in the name of prevention of a disease that most of them would never develop.

Before promoting mass use of early diagnostic tests, we ought to be certain that they do not become a cancer factory. At the moment we are far from certain. Most importantly, promotion of early diagnosis must not involve manipulation of information. Patients should be informed that screening involves a risk of overdiagnosis. Patients are far from aware of this.

Important campaigns such as Choosing Wisely, are promoted by many US medical societies. Choosing Wisely aims to improve the quality of information available to patients through evidence-based information campaigns and accessible language. These initiatives are spreading to other countries.

A future in which early diagnosis is generalized is not far away. When Angelina Jolie learned that she carried a gene mutation that increases the probability of breast cancer, she opted for a full

bilateral mastectomy. Angelina blazes the path into a dystopic future which enables us all to be ill from birth, thanks to genetic testing and diagnosis.

4. Manipulated research: Trial and Terror

4.1. Ex-ante distortions in research

Many studies are motivated by absurdly inflated estimates of clinical prevalence, for example, research on treatments of irritable bowel syndrome, sexual dysfunction or psychiatric disorders (Moynihan et al. 2002). Another widespread ex-ante distortion of many other studies regards their aim. Often it is to assess the non-inferiority of a treatment with respect to existing treatments, even though we need better drugs to improve health, not equivalents. Often this equivalence is somewhat theoretical, since depending on the size of the patients' sample, equivalent can mean not more than 20-30% worse. Thus the new drug could even be inferior to existing drugs (De Fiore and Domenighetti 2013, Goldacre 2012).

A frequent alternative to non-inferiority studies is to compare the effects of a drug with those of a placebo. This is not a good idea either, because if the aim of drug trials were public health then new drugs should be compared with the best drug on the market and not with a placebo, and the study should investigate superiority and not non-inferiority. It is suspicious that regulations do not include such obvious norms.

Another problem is that many trials focus on showing that a drug has an effect on a secondary outcome measure. For example, a drug that reduces blood cholesterol and not the incidence of myocardial infarction; a medicine that lowers blood pressure and not the probability of stroke; a pill that affects the thickness or coronary plaque instead of reducing the frequency of coronary bypass surgery; a drug that stabilizes bone density without decreasing the number of hip and vertebral fractures. The aim of clinicians is to prolong life and heal patients, not to bring laboratory values within normal limits (De Fiore and Domenighetti 2013, p. 130). So research should demonstrate the efficacy of drugs using direct health impact measures instead of indirect measures.

The most comprehensive analysis of the literature on trials concludes that "Drugs are tested by the people who manufacture them, in poorly designed trials, on hopelessly small numbers of weird, unrepresentative patients, and analysed using techniques which are flawed by design, in such a way that they exaggerate the benefits of treatments" (Goldacre 2012, Introduction).

4.2. Ex-post distortions in research

There are many types of trials for testing the efficacy of a drug, but only positive results are published. At least some results are available for only about half of all clinical studies. Negative data is routinely withheld (Goldacre 2012). The problem is that clinical decisions require both the positive and negative evidence. This distorting practice with publications alters the balance between positive and negative results.

A disquieting fact ought to open our eyes regarding the reliability of trials: only 11% of pre-clinical oncological studies can be replicated (Begley and Ellis, 2012). About one sixth of all clinical studies are based on manipulation and falsification of data (Fanelli, 2009). Between one and two thirds involve “questionable practices” (Domenighetti 2013).

Then there are articles based on invented data, as shown by the many articles withdrawn by top international journals and the many cases of doctors and researchers found guilty of inventing data. These cases are the tip of the iceberg of emerging scientific misconduct that about 14% of doctors report to have personally witnessed (De Fiore and Domenighetti 2013).

Box: Bird flu! Help!

Remember the bird flu epidemic? The predicted spread of the disease threw the world into panic. In Italy alone, bird flu was forecast to cause 150,000 deaths. War figures. It turned out that bird flu caused 62 deaths in the whole world.

Governments reacted to panic by stocking up on Tamiflu, a drug produced by Roche that would save us. In Italy, the Minister for Health ordered 6 million packets of this expensive drug, enough for 10% of the population. The drug was never used. When it expired the packets were disposed of. The cost was 50 million euros. It later emerged that the results of 60% of the trials conducted on Tamiflu had not been published and that it was no more effective against bird flu than common paracetamol (Doshi, 2009).

4.3. Ghost writing

The drug industry gets ghost authors to write scientific articles and invites well-known academic researchers to sign them. The deal is that the researcher publishes the information the company

writes, giving it the credibility of his name; in exchange he gains further scientific credibility through publications. This is a widespread practice. An estimated 16-40% of studies, depending on type, have false authors (Fugh-Berman, 2010; Wilson 2010).

In many cases we can only conclude that there is nothing true about the studies, neither their content nor their authors. According to Marcia Angell, former editor of the *New England Journal of Medicine,* doctors will soon be unable to rely on the literature for guidance (Angell, 2008). Ben Goldacre (2012) claims that the whole edifice of medicine is broken "because the evidence on which it is based is systematically distorted by the pharmaceutical industry".

5. A research-based industry?

Corporations justify the high prices of their drugs on the basis of the high risk and high costs of drug research. These arguments are in striking contrast with some facts. Table 19. 1 shows the revenues, profits and main costs of the world's ten largest drug companies in 2013. The average profit margin was around 20%. The year 2013 was not out of the ordinary for the drug industry: its profits have been at this high level for decades. The average profit margin of other industries on the Fortune 500 list is usually below 5%. There is a contradiction between the claim that pharmaceutics is a high risk activity and evidence that it is stably the most profitable.

The second argument, that drugs are so costly because research is so costly, is in conflict with the fact that drug companies spend far more on marketing drugs than on developing them. The total spending on marketing of the top ten drug companies is an astonishing $100 billion, averaging 23% of revenues, with R&D at about 15%.

Company	*Total revenue ($bn)*	*R&D ($bn)*	*Sales and marketing ($bn)*	*Profit ($bn)*	*Profit margin (%)*
Johnson & Johnson (US)	71.3	8.2	17.5	13.8	19
Novartis (Swiss)	58.8	9.9	14.6	9.2	16
Pfizer (US)	51.6	6.6	11.4	22.0	43
Hoffmann-La Roche (Swiss)	50.3	9.3	9.0	12.0	24
Sanofi (France)	44.4	6.3	9.1	8.5	11
Merck (US)	44.0	7.5	9.5	4.4	10
GSK (UK)	41.4	5.3	9.9	8.5	21
AstraZeneca (UK)	25.7	4.3	7.3	2.6	10
Eli Lilly (US)	23.1	5.5	5.7	4.7	20
AbbVie (US)	18.8	2.9	4.3	4.1	22
TOTAL	*429.4*	*65.8*	*98.3*	*89.8*	--

Table 19. 1. Revenues, profits and expenditure for R&D and marketing in the world's ten largest drug companies. Source: Anderson (2014) elaboration from GlobalData.

Ninety percent of marketing expenditure is aimed at physicians (McFadden et al. 2007) and is accounted as “medical education”. Doctors surveyed anonymously tell us what it is all about. They report that at least 90% of them receive or have received payments or other benefits from the drug industry in exchange for prescribing drugs or purchasing equipment (Campbell et al. 2007, McFadden et al. 2007). Doctors in the US receiving payments from pharma companies are twice as likely to prescribe their drugs (Engelberg et al. 2013).

A few years ago GlaxoSmithKline was fined three billion dollars in the US for not disclosing severe side-effects of a drug, and for a deluge of payments and other benefits to doctors, aimed at persuading them to prescribe the company’s products. All these costs were accounted as marketing costs. The long list of such scandals reviewed by Gøtzsche (2012B) suggests that it is not a case of a few bad apples but systematic crime. Crime is on the rise: “Three-quarters of the 165 settlements

comprising $19.8 billion in penalties in the 20-year period 1991-2010 occurred in the last five years of that period."

On average, marketing costs exceed 30% of revenues in the drug industry (Mc Fadden 2007). The disproportionate weight of marketing simply indicates that mongering diseases and promoting overdiagnosis and overtreatment is very costly. Actually, it is even more costly than official marketing costs indicate, because much spending accounted as research is actually aimed at marketing.

6. Pharmacological progress?

"The system has served us well in terms of developing good new medicines, but in the past 10-20 years there has been very little breakthrough in innovation," said Dr Kees de Joncheere at the World Health Organisation (Anderson 2014). Most new drugs have little or no advantage over existing drugs, as confirmed by an OECD report (OECD 2008). In the period 1981-2011, only nine out of 4024 newly marketed drugs represented very substantial progress compared to existing drugs, and 88 (2.19%) represented important progress. All the others (97.6%) were just copies of existing drugs or were of no clinical interest, if not dangerous (Prescrire, 2012).

This decline in innovative capacity has led the industry to seek different sources of profit. The first we have already seen: expand the market by medicalizing society. The second is to keep drug prices high. When drug patents expire, the drugs can be sold by other companies at much lower prices. To avoid this, drugs that are minor variations on existing drugs are patented. These are so-called "me too" drugs. Many "are gimmicks to extend monopoly rights on an older blockbuster" (Angell 2004). The flood of unnecessary new drugs is largely due to me-too drugs, the main output of drug companies.

Marketing also plays a fundamental role in promoting these allegedly new drugs. "For example, the antacid Nexium was Astra Zeneca's virtually identical replacement for Prilosec when its exclusive rights on the older drug expired. … AstraZeneca was reported to have spent half a billion dollars in a year to switch Prilosec users to Nexium" (Angell 2004). Other remedies for the expiration of patents include using "floors full of lawyers" to temporarily extend their duration – a process known as *evergreening*. More underhand tactics include "paying generics to delay the release of their cheaper alternatives" (Anderson 2014).

7. For-profit medicine

How has medical knowledge become unreliable? The healthcare sector has certain features that make extensive market incentives counterproductive. Markets work when money can be made selling useful things to others. By “markets work” I mean that transactions make buyers and sellers better off. Markets do not work when money is made by deceiving others, for example by making out that the product is better than it really is, or by convincing people that they need something they do not need. In such cases the market becomes a jungle in which both parties no longer gain from a transaction, but there may be a winner and a loser.

In economic terminology, markets do not function well in sectors where the risk of opportunism is high. A typical reason can be asymmetric information. This refers to all situations in which one party of a transaction has less information than another about the product traded. Asymmetric information prevails in medicine, by definition. For a patient, diagnosis is when specialized personnel explain what is happening to him. It is explained because the patient does not understand. By definition, the doctor knows more than the patient about the ailment and how or whether he can get better. In turn, drug companies have much more information on the effects of their drugs than public health institutions and doctors, not to mention patients. This pervasive information asymmetry is why the sector is vulnerable to opportunism. Those with more information can make money manipulating the information. This is what drove Big Pharma to specialize in this field.

Asymmetric information is not exclusive to the health sector. When we buy apples, the seller is likely to have more information about their quality than we do. But at least when we eat an apple we can tell whether or not it is good. In medicine it can be difficult to judge whether a therapy was the right one, whether its efficacy was overestimated or whether its side-effects were underestimated, even after many years. The healthcare sector is therefore special because it features extreme asymmetries of information.

This is why the drug market is highly regulated: consumers (patients) have much less information than suppliers (drug industry). It is why the demand-supply transaction is mediated by doctors, and why prices and supply are decided by regulators and not by market forces. The health regulators

decide what drugs can be sold and they negotiate prices with the industry.[19] This is done in the name of public health and to protect patients. Only independent and competent subjects can prevent the industry from exaggerating the benefits of its products and playing down the risks.

Are regulators and doctors really independent? The pharmaceutical industry can increase its profits by persuading doctors to prescribe large quantities of drugs and convincing regulators to allow the sale of many drugs, at high prices. Does Big Pharma have much influence on doctors and regulators?

The British House of Commons Health Committee issued a report claiming that the influence of the drug industry was enormous and out of control (House of Commons Health Committee 2004–05). Corporations have great influence on the media and they control research. Influence on doctors is boosted by the huge amount of money spent by the industry to "educate" them. As far as regulators are concerned, "the pharmaceutical industry has the largest lobby in Washington DC — there are more pharmaceutical lobbyists there than members of Congress — and it gives copiously to political campaigns" (Angell 2004). Post-democracy is the concept that best describes the relationship between the pharmaceutical industry and the political system.

The conclusion is that pharmaceutical corporations have enough influence to be able to profit from manipulating information and they actively use this influence. If its core business (patenting molecules) declines, this industry has tools to respond: overdiagnosis, overtreatment and overproduction of unnecessary new drugs. The organization of the health sector is flawed. A highly influential sector that earns by spreading false fears and hopes is like a fox in charge of the chicken house. We are the chickens.

8. Medical knowledge as marketing

"What makes us sick is an epidemic of diagnoses" (Welch, 2007). Since the pharmaceutical giants are rarely able to improve therapies for existing diseases, they focus on curing diseases that do not exist. The industry buys the stars of medical communication and spends a fortune to spread its messages among doctors, the media and the public. Medical marketing no longer includes just advertising but also research and medical information directed at the public, passed off as being

19 In the American healthcare system, insurance companies are the ones who negotiate prices with the industry.

from independent sources. Thirty years ago, Henry Gadsen, CEO of Merck, declared that it was his "dream to make drugs for healthy people." His dream has come true.

That medical information does not work is simply a fact. Many papers show that people have a disproportionately optimistic opinion of the efficacy of therapies and screenings, compared to doctors themselves. There is also convincing evidence that when people are correctly informed, they choose differently. The willingness to undergo screening for pancreatic cancer collapses when patients are provided with evidence-based information about the false positive rate (Figure 19. 2).

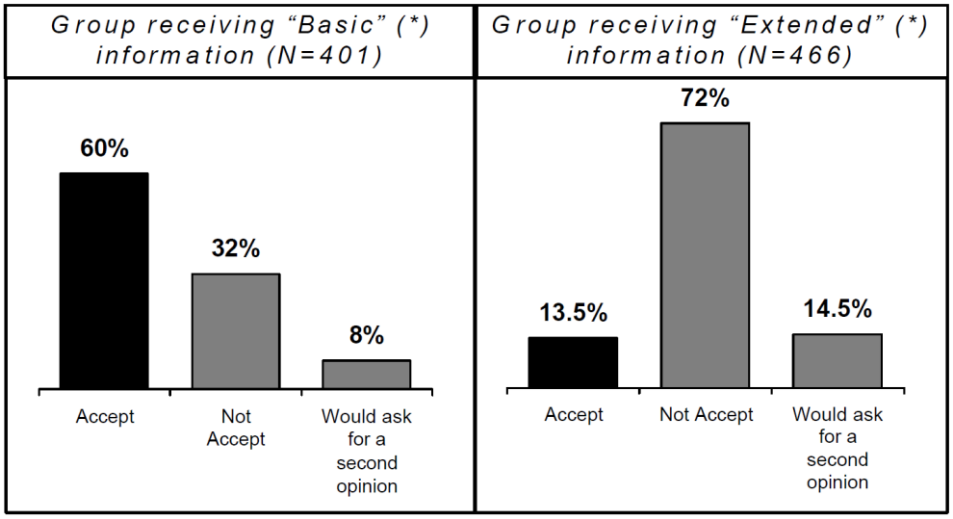

Figure 19. 2. Willingness to undergo pancreatic cancer screening changes dramatically with the quality of the information provided. Source: Domenighetti et al. 2000

Another study assessed the impact of different information provided to patients on their decision to undergo screening for PSA (Frosch et al 2001). Almost all patients chose the screening when they received the usual information (usual care in figure 3) but fewer and fewer acquiesced when informed more fully with videos and/or discussion with doctors, as shown in figure 19. 3.

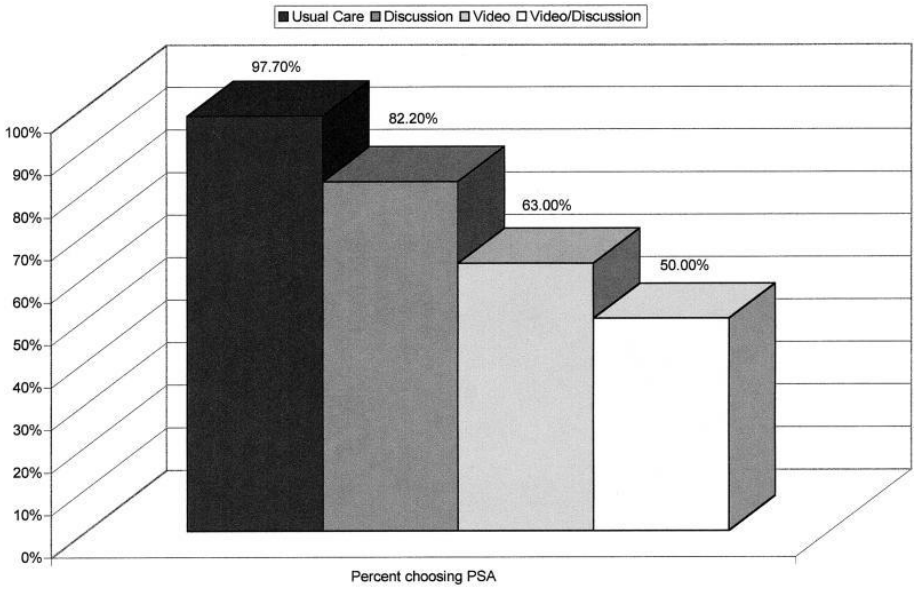

Fig. 19. 3. Willingness to undergo screening for prostate-specific antigen changes dramatically with the quality of the information provided. Source: Domenighetti et al. 2000

In Canton Ticino, Switzerland, a public information campaign on hysterectomy was launched in 1984. As a consequence, the hysterectomy rate per 100,000 women declined by one third, whereas in the reference area (Canton Bern), where the public was given no information, the rate was unchanged (Domenighetti et al. 1988).

9. How to improve medical knowledge

This evidence suggests that citizen-patient empowerment is a feasible way to reduce healthcare expenditure. Expectations need to be brought into line with the facts and patients should be encouraged to decide for themselves. To do so, patients, like doctors and regulators, need to be provided with reliable information for their decisions.

There is a way to reach this goal: medical information must be produced by persons without any conflict of interest. This is far from the case at present. As former editor of the British Medical Journal, Richard Smith, reminds us, people are not aware of some simple and fundamental medical truths, namely: most serious illnesses cannot be cured; antibiotics are ineffective for flu; hospitals are dangerous places; all medicines have side-effects; most medical treatments only bring marginal

improvements and many do not work at all; screenings also give false positive and false negative results; there are better ways of spending money than on medical technology.

There is an excess of economic incentives in healthcare. Incentives are dangerous in a sector where it has become easier to profit by manipulating information than by actually improving people's health. The possibility of making a lot of money promotes opportunistic behavior because information asymmetry is extreme and quality control too difficult. The consequence is that the system currently leans heavily towards manipulation of information. And yet, in a sector like medicine, concerned with caring for people in trouble, it would be easy to attract intrinsically motivated workers. Healthcare can work in the absence of substantial economic incentives, as suggested by the non-profit medicine of Cuba.

Moreover, given the immense capacity of the drug industry to align regulators with its interests, regulation must be completely overhauled. We cannot continue to assume that regulators are independent: decades of history demonstrate that they are not. A stop to the phenomenon of revolving doors between regulators and industry would be a good start. Too often regulators come from Big Pharma and too often the latter hires ex-regulators. This promiscuity creates conflicts of interest and makes it difficult for regulators to be independent.

Other useful policy recommendations are listed by Gøtzsche (2012A). We need laws requiring firms to disclose all knowledge about their drugs and research data. Currently, the companies may refrain from disclosing facts, even when they know that their drugs are more harmful than originally thought.

Corporations run calculated risks when they misbehave. The risk must be increased. Penalties for crimes must be much greater. In the US, fines are very large and yet insufficient. To deter misbehavior, they need to be large enough to bring companies to the verge of bankruptcy.

Moreover, top executives should be held personally accountable for the crimes. Any company found guilty of marketing fraud should be automatically excluded from the National Health Service, which is not the case in Europe. US federal law requires exclusion of guilty companies from Medicare and Medicaid. However, in the case of "too big to fail" Pfizer, government prosecutors decided that this exclusion would cause the company to collapse (Annas 2010).

The reason why scandals always come from the United States is that in Europe, the situation is much worse. Fines are ridiculously small and legislation seriously protecting whistleblowers is lacking.

“When Merck had withdrew rofecoxib (Vioxx) from the market in 2004, after its marketing frauds had caused tens of thousands of deaths from cardiovascular events, Pfizer Denmark seized the opportunity and wrote to the doctors that its Cox-2 inhibitor, celecoxib, did not cause thrombosis”. The fine for this blatant misinformation was a mere DKK 12,000 (about $2,000)” (Gøtzsche 2012b).

In any case, any policy aimed at controlling healthcare expenditure will have a limited effect unless it leads to a change in the behavior of the industry, the primary source of manipulation of information. If the proposals outlined above prove insufficient, there is a radical option: nationalization of the industry.

A publicly owned pharmaceutical industry could aim to contain rather than increase expenditure for national health systems. The negative effects of the pursuit of profit by the pharmaceutical industry make it an economic text-book candidate for nationalization. Nationalization is however an extreme measure and very difficult to apply. For example, questions such as *Who should nationalize?* need to be addressed. Since the drug industry is global, a set of countries must act, at least those on which the industry has greater impact, namely rich countries. At the moment no supranational institution exists that could receive a mandate to nationalize the pharmaceutical industry.

Chapter 20. Conclusion: Healthcare as defensive expenditure

1. Reducing healthcare demand through policies for relationships and medical knowledge

I summarize the arguments of Part Five. Healthcare is the largest economic sector in industrialized countries. The sector now involves enormous defensive spending. Like many other types of defensive expenditure it became an engine of economic growth, growing faster than the rest of the economy across many decades. Defensive medicine, estimated at about 1% of GDP in Italy and 2% in the USA, is an example of defensive spending on healthcare. These huge sums illustrate the cost of the conflict arising when patients become customers and doctors become salesmen.

However, defensive medicine is only a small portion of the total defensive spending of healthcare systems. Indeed, an important cause for the increase in spending on healthcare is soaring demand, which has largely a defensive nature. Drawing on extensive epidemiological and medical literature, I focused on the two main causes for the increasing demand for healthcare. The first is declining happiness and relationships. Epidemiologists have documented that happiness and social capital are powerful predictors of health and longevity. This suggests that the spread of distress, loneliness and conflictual relationships in many western countries has contributed to the rise in morbidity rates. The evidence that widespread dissatisfaction causes an increase in morbidity and mortality rates is especially compelling for the US.

The second reason for the rising demand for healthcare is the failure of medical information. It is robustly documented that the public has a disproportionately optimistic perception of the benefits and risks of tests and treatments, out of line with the perception of physicians and with reality. The literature also shows that patients' willingness to undergo screenings and treatments declines sharply as the quality of information available to them improves.

The reason for this failure of medical information lies in flaws in the organization of healthcare that are hidden in plain sight. Two critical activities for the accumulation of medical knowledge - medical education and research - are financed and controlled by drug companies. Such companies are in obvious conflict of interest when it comes to providing complete and accurate information. It may seem weird that the predictable failure of corporate-backed research and medical education is not

at the center of a heated media and political debate, aimed at reforms. The explanation lies in control of the media and political system by the drug industry.

The consequence is the enormous ability of the pharmaceutical industry to manipulate medical knowledge. The disproportionate influence of the industry has led to systematic exaggeration of threats to public health, underestimation of the risks of medical goods and services and overestimation of their benefits. This leads to overdiagnosis, overtreatment and overproduction of unnecessary new drugs, which are major drivers of the increase in healthcare spending. At the root of this situation lies the extraordinary information asymmetries in the healthcare sector, allowing those with more information to make profits by manipulating the information.

Summing up, two conditions lie at the root of the soaring healthcare cost. The first is a state of increasing depression and anxiety across large sectors of the population. The second is the medicalization of health, namely the transformation of medicine into a promise of health and well-being. When these two conditions are met, healthcare spending spirals out of control, driven by an exploding demand for healthcare. Indeed, the medicalization of health amplifies our perception of the potential of medicine to defend us from illnesses and malaise. Medicine thus sets itself up as a means of escape for the masses from the distress and physical ailments it causes.

The medicalization of health requires an enormous, densely branching, sophisticated and of course very expensive propaganda system. However, it is an excellent investment for Big Pharma, because widespread malaise in rich countries amplifies its possibility to use its control over research and medical information to manipulate the demand for healthcare. A world of frightened and anxious people is fertile ground for those with the power to spread a clever mixture of false fears and promises, made credible by white-coated opinion leaders. Widespread malaise and the promise of a medical solution is an explosive combination leading to an unsustainable demand for healthcare.

This is why the drug industry has not yet had to face a profit crisis. Despite the decline in new patentable molecules, it has remained the most profitable industry in the world. Its core business, however, has shifted from activities that improve quality of life to activities that damage it.

The conclusion is that healthcare is probably the clearest example of the mechanism driving defensive growth: commercial interests that thrive on ill-being. I draw some policy implications. Policies aimed at changing healthcare should not begin with public budget cuts. Healthcare can cost less in future if demand is curbed. To this aim, the main prevention should take place outside the

healthcare system through policies aimed at increasing well-being and relational goods. I also advocate radical reform of medical research and information, that should be produced by persons without conflicts of interest. The empowerment of patients enabled by independent information is a viable way of reducing the demand for healthcare.

I am obviously not ignoring current advances of medicine, that have been spectacular in many cases. What I am claiming is that such advances are obtained at too high a price, that these resources can be spent better, and that less money is needed to obtain good results in public health.

Box. When medical lies meet distress: opioids in the US

The 60,000 deaths from overdose in 2016 –the biggest American massacre since WW2– are the tip of the iceberg of an army of almost 2.5 million persons who are addicted to opioids, nearly 1% of the population.20 The opioid crisis is the most spectacular example of the disasters caused by the current organization of the health sector summed with the psychological fragility of a large slice of the population.

Indeed, this unprecedented crisis rests on two pillars. The first is obvious: mass addictions are linked to mass unhappiness. The profile of the American citizen most affected by the epidemic tells us much about the causes of unhappiness. Young or middle aged, poorly educated, non-Hispanic white males who live in the Rust Belt, previously known as the industrial heartland of America, were more frequent victims of this epidemic (Lopez and Frostenson 2017). This is the profile of the losers of globalization. Deindustrialization eroded the community and social connections, beyond the jobs of white males. The decline in marriages and fertility, and the rise in the share of children born to unmarried mothers or living in single-parent households, were particularly acute in the Rust Belt (Autor et al. 2017). If relationships decay, social comparisons become very important, exposing people to fragility and loss of self-confidence when they lose positions in the social ladder. And fragile persons slip easily into addiction.

The second pillar of the crisis is much less obvious. Pharmaceutical marketing took advantage of mass vulnerability to addiction. This drug epidemic, in fact, began with legal opioids. In the 1990s, doctors were persuaded to take pain seriously. There was good reason to do so, since 100 million Americans suffered from chronic pain (Institute of Medicine 2011).

For Big Pharma, the epidemic of chronic pain was an unprecedented opportunity to open the huge painkiller market. From the industry's point of view, the addiction that opioids soon create can be seen as an extreme form of customer loyalty. The opportunity was not wasted. The new market was promoted by exploiting well-established methods of pharmaceutical marketing: underestimation of side-effects and overestimation of benefits. The message of a big marketing campaign targeting doctors and consumers was: opioids are not so addictive and they have permanent painkilling effects.

"Key opinion leaders" for the opioid industry were mobilized. They disseminated papers and lectures claiming that the medical community should overcome what they described as

"opiophobia". They cited studies with serious methodological flaws, claiming that the risk of addiction was less than 1% (Kolodny et al. 2015). The campaign succeeded in getting doctors to prescribe large quantities of opioids.

But the information was false. There is no convincing evidence that opioids are suitable for treating long-term chronic pain, despite their effectiveness for short-term acute pain, and there is strong evidence that opioids are harmful in the long run (Lembke et al. 2016, Frieden and Houry 2016, Chaparro et al. 2014). People who are addicted to prescription painkillers are 40 times more likely to become addicted to heroin (Centers for Disease Control and Prevention 2015).

In short, the door to an invasion of opioids was opened by artful lies. Painkillers ended up in the hands of patients, their friends and families, with teenagers hunting through their parents' medicine cabinets.

The upsurge of opioid abuse and overdoses led to a tightening of regulations. Unscrupulous doctors who prescribed the drugs were threatened with loss of their medical licenses and even imprisonment. Prescriptions shrank but it was too late. Addiction to opioids was already established on a grand scale. Many who could no longer obtain prescribed painkillers turned to the black market. This is how heroin and fentanyl, an illegally produced synthetic opioid 50 times stronger than heroin, became the main substances in this mass addiction scenario.

The opioid crisis turned the lives of an astounding number of Americans into a nightmare, from which it was easier to escape by death than by other means. The healthcare and human costs it created are oversized. The pharmaceutical industry could be one victim of this crisis. At the time of writing (November 2017), several American states have already filed lawsuits against drug companies over misrepresentation of the risks of opioids through long-standing coordinated marketing campaigns targeting doctors and consumers. The evidence of such misrepresentation is compelling. Big Pharma may be forced to pay an avalanche of compensations, as happened with the tobacco industry.

This crisis is a failure that involves all healthcare system players: regulators, doctors and the drug industry. It was generated by the combination of widespread distress and Big Pharma's control over medical information. Mass addiction was created in a deliberate and legal way. When access

20 See box in chapter 6: Troubled lives, troubled health: mass examples from the U.S.

to prescription painkillers was restricted, the victims turned to drug peddlers and began to die in large numbers. It is like the plot of a B movie, except that it really happened.

We have reached a point in which the pharmaceutical industry kills and ruins the lives of millions of families instead of saving lives and improving quality of life. With a crisis of such proportions, it is difficult not to realize that we need a radical change in the healthcare sector.

PART SIX: Epilogue: the Great Recession[21]

Chapter 21 - Prologue: the formidable American consumer

The economic crisis that began in the summer 2007 originated in the U.S. and then spread rapidly to the rest of the world. The premises for the crisis accumulated gradually over the preceding decades, and lie in the consumerism generated by defensive growth. The crisis is its epilogue.

The formidable American consumer had been the engine of the global economy in the two decades that preceded the crisis. The American market, in fact, absorbed vast amounts of consumer goods produced in Europe and particularly in Asia, despite the fact that powerful forces were limiting the U.S. consumption potential. First of all, the loss of competitiveness of the American economy. The competition of Asian manufacturers brought about a sharp worsening in the U.S. trade balance over the past 20 years. U.S. imports progressively outstripped exports. From 1996 to 2007, an invasion of foreign products – particularly Chinese – caused an increase of more than 600% in the trade deficit.[22] As a consequence of foreign competition, the U.S. industry was forced either to delocalize abroad or to downsize. This means that a portion of the U.S. manufacturers' incomes was transferred to foreign manufacturers, which should have driven the American economy towards a reduction in consumption.

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21 Part Five draws on Bartolini 2014

22 In 1996, the trade deficit was $ 1006 per household; in 2000, it had increased to $ 3787 per household; it finally exploded to $ 6194 per household in 12007 (source: Jagannathan et al. 2009)

Secondly, income inequality increased sharply since the late 1970s (Atkinson et al. 2009).[23] In an economy in which those who were already rich benefited the most from economic growth, the rise in wages was relatively slow and the middle class shrunk. This should have depressed consumption given that the middle class is the driving force of mass consumption.

1. The American consumer's bulimia

Instead, consumption continued to grow at a substantial pace even though income was being redistributed from U.S. workers to foreign ones and to owners of capital. As illustrated in figure 21. 1, U.S. consumption grew faster than wages. This increase in consumption is mirrored in the decline in the personal saving rate since the 1980s (see fig. 21. 2).

Figure 21. 1. Private consumption ("Priv. Cons.", measured on the right axis) grew faster than wages including benefits (right axis). Excess consumption ("Excess Cons.") is calculated as private consumption less total wages (left axis). All numbers are in 1980 $ per household. Source: Jagannathan et al. 2009.

23 The share of wages and salaries as a percentage of American GDP was 49% in 2000, but it had dropped to 46% in 2007 (Jagannathan et al. 2009).

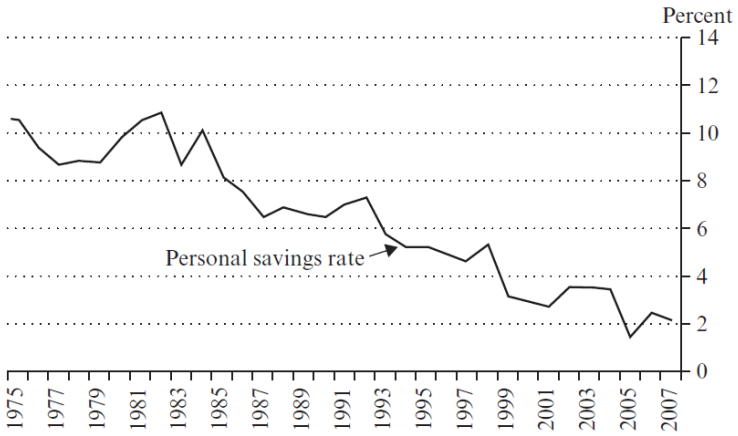

Figure 21. 2. Personal saving rate as a percentage of disposable personal income. Source: McCully (2011)

Figure 21. 3 shows the extraordinary dimension of American consumerism in international comparisons. Despite the persistently and remarkably higher private consumption-to-GDP ratio, this ratio increased in the U.S. since the second half of the 1990s, whereas it decreased or remained unchanged in Italy, France and Germany.

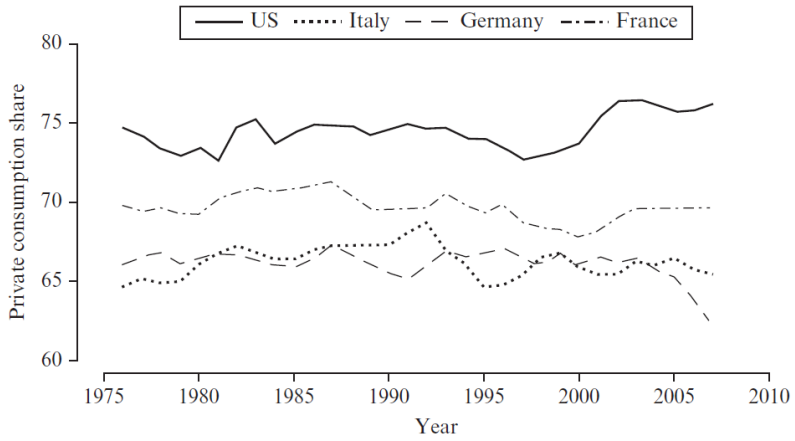

Figure 21. 3. Private Consumption-to-GDP Ratio across Countries. Consumption is expressed in PPP GDP per capita (2005 constant prices). Source: Heston et al. (2011)

The patterns in figure 21. 3 are affected by the fact that public consumption has typically constituted a smaller portion of GDP in the U.S. than in Europe. However, even when adding public consumption to private consumption, total U.S. consumption (private plus public) amounts to a substantially larger share of GDP than in European countries (fig. 21. 4).

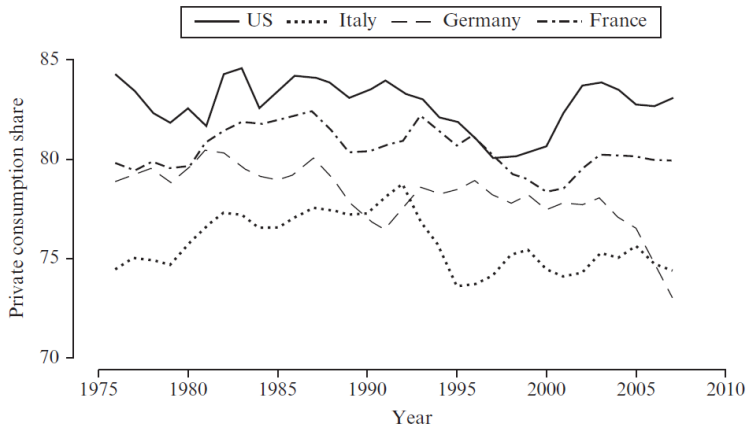

Figure 21. 4: Total Consumption-to-GDP Ratio across Countries. Total consumption is the sum of private and public consumption expressed in PPP GDP per capita (2005 constant prices). Source: Heston et al. (2011).

2. The American consumer's formidable debt

How did Ms./Mr. Jones – the average American – finance this spending spree? The answer is well known: the consumption binge was financed by accumulating an enormous debt. American households bought larger and nicer houses and more consumer goods than they could actually afford. Credit cards and mortgages allowed millions of Americans to spend way beyond their means. The ratio of total debt to wages more than doubled in less than 30 years (see figure 21. 5). Figure 21. 6 shows that the growth of the households' debt closely paralleled the increase in the current account deficit, suggesting that the accumulation of this debt was partly a reaction to the weakening of Americans' income due to foreign competition.

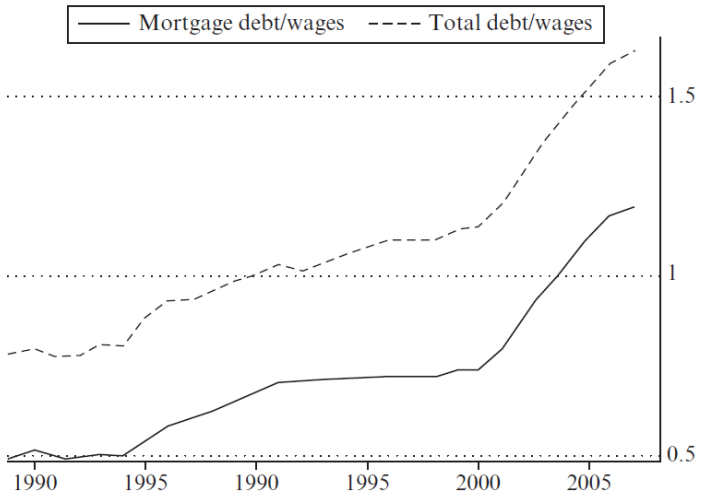

Figure 21. 5. Ratio of U.S. household debt (mortgage debt and total debt) to wages. Source: Jagannathan et al. 2009.

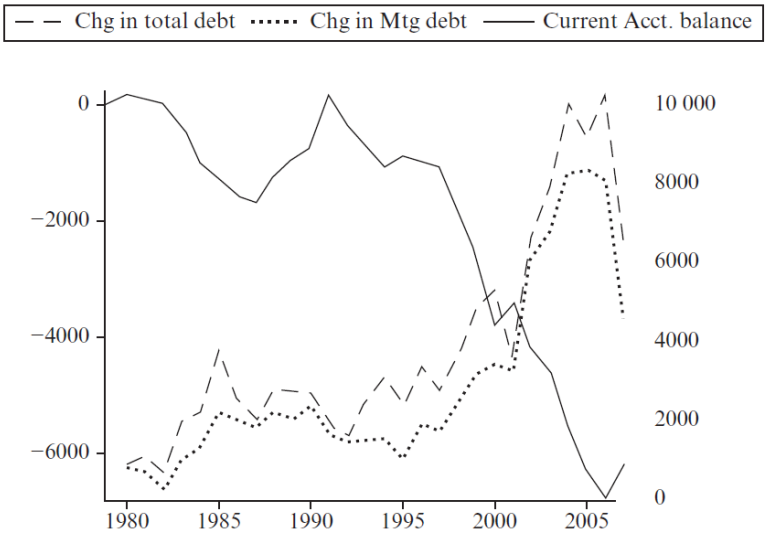

Figure 21. 6. Change in U.S. household total debt (Chg in total debt) and in per mortgage debt (Chg in mtg debt), both on the right axis: they both increased whereas the deficit of the current account balance (Current acct. balance) worsened (left axis). The current account balance figures are affected mainly by the trade deficit. Figures are in U.S. $ per household. Source: Jagannathan et al. 2009.

3. Other explanations for the debt: wealth illusion, easy credit, increasing inequality

This private debt grew unsustainably and the resulting default began in the summer of 2007 with the crisis of sub-prime mortgages. Everything that happened afterwards – the collapse of the U.S. financial system, the contagion of the rest of the world, the credit crunch – was caused by the spread of a disease that stemmed from the over-indebtedness of American consumers, as I show in the next chapter.

Accordingly, any account of the crisis must begin by explaining the existence of this debt. Its existence is not obvious, because it is caused by an urge to consume amidst affluence. By and large, Americans no longer need to satisfy basic needs. Although poverty exists in the United States, Ms. Jones - the average consumer - is one of the most well off in the world. Why did she borrow more and more to finance consumption beyond her substantial means?

My answer is that over-indebtedness is a collateral effect of the over-consumption generated by defensive growth, exactly as over-work. When buying becomes the way out from most of life's troubles, individuals tend to over-exploit resources available to finance consumption: time and credit.

A popular explanation for American debt is based on the illusion of wealth created by the inflation of real estate values. Figure 21. 7 shows the rapid growth in the price of U.S. homes over the past 30 years. According to this explanation, the constant increase in the prices of homes induced their owners to believe that they were growing richer and, therefore, that they could afford to borrow more and more. Actually, it was merely a real estate bubble, which ultimately burst.

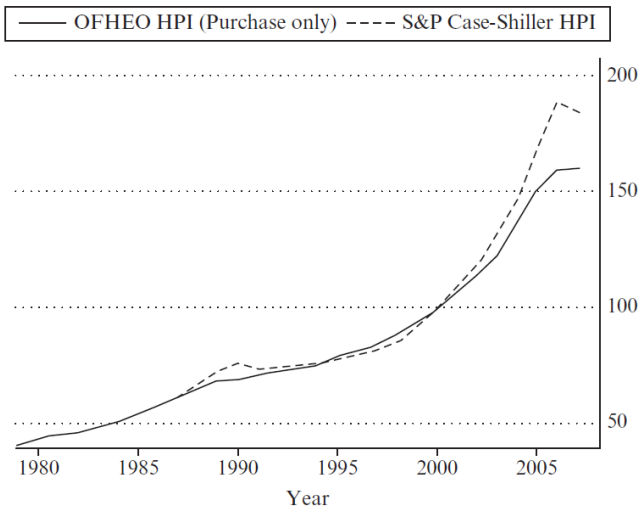

Figure 21. 7. Home prices indexes (HPI). Source: Jagannathan et al. 2009.

However, U.S. mortgage debt grew much faster than real estate values (figure 21. 8), with mortgage debt used largely to finance non-housing consumption. This suggests that consumerism was largely fueled by something other than the illusion of wealth created by the residential bubble.

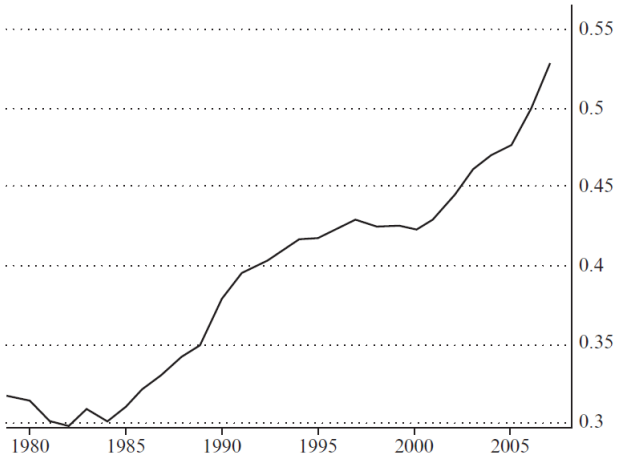

Figure 21. 8. Ratio of value of U.S. residential mortgages to residential home values (primary residence only). Source: Jagannathan et al. 2009.

Another widespread explanation focuses on the exceptional abundance of low-cost credit supply. However, both this explanation and that based on the wealth illusion do not explain why the demand for credit was intended for consumption. Whether driven by easy credit or by wealth illusion, Americans could have used credit to replace part of their labor income and so to work less. Instead, they chose to buy more. Why?

A different explanation, which relates the debt of American households directly to their over-consumption, is based on the growing skewness that has characterized American income distribution. Increasing income inequality tends to exacerbate social comparisons, boosting the race to buy (Wright and Rogers 2011). This explanation is consistent with other evidence, such as the increasing trend of hours worked by Americans and their decreasing happiness. Social comparisons indeed, drive to overwork and dissatisfaction. Thus, soaring social comparisons, promoted by increasing inequality, are a much more persuasive explanation for the American private debt than the ones based on easy credit or the illusion of wealth. A large role for social comparisons in explaining this debt is perfectly consistent with the defensive growth framework, in which social comparisons appear to be a side effect of relational poverty.

Chapter 22 - Epilogue: the implosion of defensive growth

Why did the American crisis infect the world? The aspect of the current crisis that surprised most pundits is that it originated from a relatively small and localized default crisis, namely the sub-prime mortgage default in the United States. How could such a small crisis trigger the greatest global financial crisis of the past 90 years?

Indeed, the international financial system had basically withstood a series of violent crises (Mexico, Argentina, Brazil, Russia, South-East Asia, etc.) over the 25 years that preceded the 2008 recession. These crises had disastrous effects in the stricken countries, but the contagion of the global financial system was limited and transitory. Instead, a small default crisis in the U.S. brought the system to its knees. Why?

1. The world-financed American consumption

At the start of the crisis, the American financial system was heavily indebted with the rest of the world. Most countries in the world had been buying bonds, especially private, on Wall Street for at least 15 years. China increased its financial investments in the United States tenfold, from $ 92 million in 1994 to $ 922 million in 2007. In addition, while in 1994 these investments were restricted to treasury bonds, in 2007 they largely regarded bonds issued by private companies (Jagannathan et al. 2009).

Particularly in the decade that preceded the crisis, this flood of money flowing into the United States had been increasingly channeled towards financing credit to the average American. In short, it was the extraordinary inflows of capital into the United States that financed the easy credit available to American households. In practice, the American financial system financed its loans to the average American mostly by borrowing capital from the world.

The world was financing American consumption. This financing was based on certain types of derivatives, now known as ‘toxic assets’. These structured assets, derived from the securitization of mortgages and loans, pool both high and low quality debts, thus dissimulating their “true” risk of default (Jagannathan et al. 2009). Figure 21. 1 illustrates the dramatic growth of toxic assets in the United States over the past 30 years.

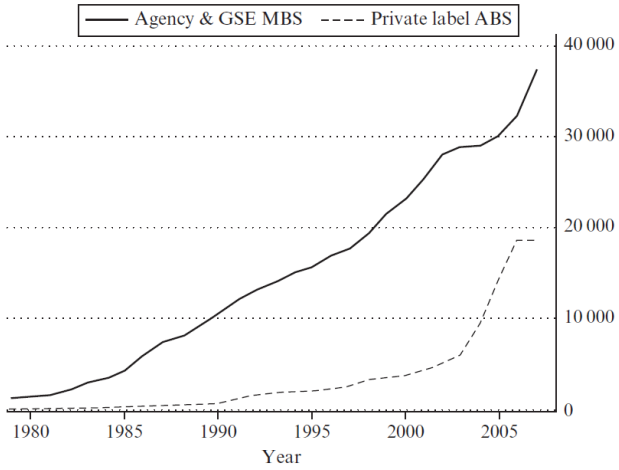

Fig. 21. 1. Outstanding mortgage backed securities by issuer in U.S. $ per household. Source: Jagannathan et al. 2009.

The massive inflows of capital into the U.S. are the consequence of the free international movement of capital, which followed the collapse of the Bretton Woods system in the 1970s.[24] The liberalization of the export of capital profoundly changed the habits of savers worldwide, creating a whole new range of financial opportunities. Suddenly, it was possible to invest in any stock, anywhere in the world. In this new era, where did capitals from all over the planet mostly flow? Obviously towards the most reliable country and the largest financial market. In other words, towards Wall Street.

If countries were financially similar, international mobility would distribute capitals worldwide. Yet, in a world in which there is a country that is considered more reliable than others and that has a

24 In 1944, the powers that were close to winning WW2 negotiated an agreement in Bretton Woods (U.S.) concerning the rules that would regulate the monetary and financial relationships between countries in the post-war period. The main feature of the Bretton Woods system was the obligation for each country to keep a fixed exchange rate - through proper monetary policy – with respect to the U.S. dollar, the value of which was established in terms of gold. The member states were encouraged to use capital controls (limitations to international capital flows) to maintain external balance in the face of potentially destabilizing capital flows. In the early 1970s, the collapse of the Bretton Woods system opened up the new era - in which we still live - of the fully free international movement of capital.

very large financial market, a globalized financial system takes on the role to supply capitals to that country.

If we consider this in conjunction with the securitization of the debt of American households, the financial system that emerges possesses two traits. It creates a large global demand for American assets - because the markets trust the solvency of the United States - and it creates a large supply of such assets, through financial engineering applied to the debt of Americans.

This is how Wall Street came to absorb a large part of the capital of the world. In such a manner, the extreme inequalities between the countries of the world - in terms of solvency and financial market size - resulted in the financing of consumption in the country that was already the greatest consumer. Wall Street became the meeting ground of the world' willingness to finance Americans and the formidable American consumer's willingness to become indebted. In this fashion, Wall Street passed on the massive debt that Americans had been accumulating to the rest of the world, packaging it so skillfully that the default risk was concealed.

2. Exporting the crisis: the credit crunch

The sub-prime mortgage default was triggered by a slight fall in the real estate prices. When the price of homes falls, many mortgage holders prefer not to pay or cannot find the means to do so. Having first hit sub-prime mortgages, the crisis spread to the rest of the American financial system, leading to a series of bankruptcies of large banks and insurance companies. Americans, to put it bluntly, had stopped repaying their debts. This, in turn, plunged the entire global financial system into a crisis. A surge in interbank rates following the sub-prime mortgage crisis was the consequence of spreading mistrust among banks, all more or less laden with toxic assets - the world over. Banks feared that other banks would go bankrupt and they stopped lending money to each other, if not at high interest rates. Credit conditions tightened and the credit crunch arrived, which then passed on the financial collapse to the real economy, triggering the recession.

In short, the American crisis infected the rest of the world because countries worldwide were holding US mortgage-backed securities, assets that lacked transparency with regard to their default risk.

3. Setting the fox to guard the henhouse

Since the beginning of the new millennium, the American economy has been rocked by crises that revealed massive fraud and cheating. What shook American capitalism is a systemic crisis of credibility, trust, rule of law, values, business ethics and sense of responsibility. Even the slightest appearance of integrity disappeared, crushed by some pillars of the establishment. Bernie Madoff, the NASDAQ stock market chairman in the early 1990s, carried out a fraud totaling 65 billion dollars. The American model seems to have become a jungle, where all is permitted. The toxic assets at the center of the Great Recession are just one episode of a toxic kind of capitalism.

This escalation of criminal scandals was perpetrated by extremely wealthy and ingenious people belonging to the corporate elite of American capitalism. The essential facts, not to mention the details, of this crisis show that their actions were guided by compulsive greed without the slightest hint of ethics.

This era was ushered in by the string of bankruptcies of large American companies, such as Enron, World.Com, etc., which struck American capitalism at the beginning of the second millennium. It then continued in an unrelenting crescendo with scandals of all kinds, which are clearly visible in the Great Recession as well. All financial managers were fully aware that they were injecting dissimulated junk into the assets under the pretext of risk diversification.

Rating agencies such as Moody's, Standard & Poor's and Fitch, which are supposed to provide guidance to investors on a borrower’s creditworthiness, rated Enron Triple A just weeks before it went bust. Rating agencies were also a catalyst for the sub-prime debacle and the resulting financial collapse. The derivatives to which the agencies gave their highest ratings included over three trillion dollars of loans to homebuyers with bad credit and undocumented incomes through 2007. Rating agencies were not at the service of investors, but of other parties. They were paid fees by financial institutions that sometimes pressured them or shopped around for the most favorable risk assessments, with an obvious conflict of interest.

All this shows that not even an economic system such as capitalism, which is based on selfishness, can function without any ethical foundation. No incentives or legal frameworks, not even the most sophisticated ones, can guide selfish choices towards a socially desirable direction, if these choices are made by individuals who are as ingenious as they are cynical. They will always find a loophole in the law, in the corporate organization, in the incentive systems, through which they can slip in that

opportunistic coercion motivated by borderline greed, which leads them to choices lacking any sense of responsibility. Responsible corporate conduct requires that the mindset of individuals in a position to take economic decisions affecting millions of people be inspired by such a sense of responsibility.

Instead, the people that the system ultimately singles out to take these decisions are precisely those who have absolutely no ethical foundation. At the core of these crises lies the big issue of how the economic ruling class is selected. There is no lack of better-suited individuals in society or in business; the problem is that they are generally not selected for those positions where major decisions are taken.

Current selection of economic leaders is in practice setting the foxes to guard the henhouse. A mix of aggressive and competitive personality, ingenuity and careerism often dominates not only the selection criteria but corporate culture as well. We are essentially selecting and training extraordinarily talented opportunists. These criteria should be replaced by a selection process that aims at identifying individuals with intrinsic motivations and ethical principles. There is much that can be done in this regard. Instead, the world of big business is often dominated by individuals who consider ethical scruples as an annoying hindrance or even a character weakness. Or by individuals who, even if they have scruples, hide them to advance their career and then likely end up becoming depressed when, having reach midlife, they stop to look back at the desert they contributed to create.

4. Summary and conclusion: the desert behind and the abyss ahead

Defensive growth is fraught with the risk of crises and under certain financial market conditions it can produce global crises. When the 2008 crisis exploded, these conditions had matured enough to allow the contagion to be exported to the rest of the planet. The expansion of American private debt, in fact, was boosted by the abundance of credit in the United States, fueled by the foreign capital that had flooded Wall Street for decades. For this reason, the American crisis infected the rest of the planet. The contagion vectors were the toxic assets. The abundance of credit in the United States and the export of the American crisis are two sides of the same coin.

Since households went into debt to buy more, the bulimia of American consumers stands at the core of this crisis. What happened in the credit market is the flip side of what happened in the labor

market. Americans plundered every available resource to support their purchases: credit and their own time. A society that produces people who are increasingly lonely and more and more willing to consider “buying” as the solution to their problems tends to live systematically beyond its means, if the credit market conditions allow it to do so. The crisis was triggered by an extremely dangerous combination of two factors: the willingness of a nation to live beyond its means and the willingness of the rest of the world to provide it with the necessary resources to do it.

In turn, the willingness to live beyond one’s means stems from defensive growth - in which material satisfaction is used to compensate for relational dissatisfaction. Through the credit market, this material/relational imbalance can be transformed into global economic imbalances that lead to profound planetary crises. The Great Recession is the product of the utopia according to which a society of emotional dissatisfied and thus unstable individuals can produce a stable economy. The Great Recession has shown that the goal of promoting happiness coincides with that of promoting economic stability. Both require the construction of a society that pays greater attention to the relational dimension of life. Relational policies are an antidote to the risks of economic crisis generated by defensive growth.

As for the global financial architecture, it is clear that it must be changed because it turned a relatively small shock into a global crisis. The discussion on whether the reforms made after the Great Recession are sufficient and on what other changes might be necessary is too broad to be addressed here. In any case, we should act quite radically in preventing the risk of financial contagion. We will no longer have any weapons to counter another financial crisis of large proportions, because public budgets have already been squeezed by the banks’ bailouts during the Great Recession. Moreover, there are clear signs that the monetary expansion carried out by the central banks is actually fueling more financial bubbles than the real economy. The disturbing conclusion is that the next major debtor that goes bust is likely to cause a melt down of the financial system.

PART SEVEN: And now the good news: the relational society is possible

Chapter 24 - The 20th century is over

1. Our culture is changing

Over the past 40 years, economic and social organization has gradually been reformed in Western countries in the name of ideas promoted by mainstream economic theory. These reforms started in the 1980s in English-speaking countries – more receptive to the influence of economists – and spread progressively to the rest of the world. Margaret Thatcher in the United Kingdom and Ronald Reagan in the United States led the change. The economic theories on which they based their reforms were founded on *Homo oeconomicus*, a view of humans as calculating beings who act solely for instrumental purposes. People do not do anything for nothing; this is a behavioral norm incorporated in their genes. The only thing people have in common is that they are useful to each other. In Thatcher's words, "there is no such thing as society. There are individual men and women, and there are families".

This view has a long history that goes well beyond the boundaries of economics and indeed served largely as the basis of our socio-economic organization well before the 1980s. Yet in recent decades, economists gained disproportionate political influence. As a result, the idea of *Homo economicus* shaped social organization to an unprecedented extent.

However, many recent developments in social sciences, including economics, have shown that human beings are actually different from those assumed by traditional economic theory. There are very significant phenomena that cannot be explained unless one assumes that humans give value to affection, belonging, warmth, identity, ethics, self-actualization and responsibility; in short, to intrinsic motivations.

All of this takes us away from the vision of humans as calculating beings who are instrumentally motivated and interested only in material goods. This vision captures only one aspect of our nature.

Humans are capable of calculating, choosing instrumentally and caring for life's material aspects. And they are capable of much more. *Homo economicus* is an amputation of human nature, and this awareness is penetrating the social sciences. Even economics is beginning to smile, whereas once it was known as the dismal science due to its dismal view of human beings.

In the meantime, the world has been turned inside out by amputation of a human capability, namely acting for intrinsic motivations. Once intrinsic motivations are forgotten, we are left with the culture of stress. Stress is a method of controlling situations, manipulating people and solving problems. Stress guides business organizations and the education of children. It shapes a socio-economic system that predictably produces stressed and unhappy individuals, those that the science of happiness pushed to the forefront of the cultural debate.

The time has come for a change. This book contains an agenda for socio-economic change based on the new information available about human nature. Research has made it possible to learn many things about what makes us happy. The findings confirm the intuition of many people that relationships are crucial for our happiness. We have also learned many things on how the socio-economic environment and culture shape our relationships. In other words, we now know a lot about how to build good relationships. The time has come to use this knowledge to reorganize economic activities and society.

2. Why the 20th century is over

The clash between the state and the market monopolized the twentieth century. In 1989, with the fall of the Berlin Wall, a system that seemed destined to last for centuries suddenly collapsed. The implosion of communism discredited the idea that the state can effectively organize economic activity. In fact, the Soviet experiment, which started in 1917 with the Russian Revolution, soon turned into an extreme project: the state as the sole owner and organizer of all economic activity.

From the dawn of capitalism, its critics emphasized its tendency to produce a society made for the economy, and not an economy made for society. At the beginning, a variety of critiques and alternative proposals flourished, ranging from nineteenth-century utopian socialism and anarchism, to the cooperative movement, to religiously inspired social doctrines, etc.

However, in the twentieth century, the idea of communism – driven by the Soviet experience – ended up becoming the reference point for many who believed that the economic system should

serve social goals. In short, communism established the state as the dominant alternative to capitalism among backers of an economy made for society.

On the other hand, the very existence of a militarized, apparently economically competitive communist empire over several decades caused those who feared the USSR to join forces in defense of the market economy, including many who were somehow conscious that the economy should serve social goals. Criticism of capitalism was equated with opening political space to communists. In this way, the conflict between state and market ended up polarizing society and absorbing the intellectual and creative energies of the twentieth century.

The fall of the Berlin Wall initially seemed to designate the market as undisputed winner. Most of its critics surrendered to the TINA (There Is No Alternative) effect. Although markets can be a painful medicine, they were considered the only possible one.

However, the following quarter of century sufficed to convince many that alternatives were necessary. The economic crisis that started in 2008 signaled the demise of the twentieth century. This crisis, in fact, dealt a severe blow to the idea – just as dogmatic as the idea of communism – that the organization of society should be left as much as possible to the invisible hand of the market. Thus, the demise of the twentieth century ended the economic, political, military, social and cultural clash between the state and the market.

The end of this clash will free enormous energies. It will lead those who want to humanize the economy to search for alternatives that are no longer based exclusively on the state. On the other hand, with the disappearance of the communist threat, the need to defend capitalism from its critics has become less pressing. This opens new space for alternatives to the state-market dualism.

The alternative is people's sociability. Networks of relationships provide most of a society's well-being and productive capacity. Most importantly, we have had too much state and market so far; the way they were used, in particular, ended up destroying relationships. Instead, the state and market must serve to improve them.

We are seeing profound scientific and cultural changes that are giving increasing value to sociability. The Nobel Prize for Economics in 2009 was awarded to Elinor Ostrom for her research into how common resources can be managed successfully by the people who use them rather than by governments or private companies. Indeed, economists have long unanimously held that collectively used natural resources are over-exploited and destroyed in the long-term. Ostrom

showed that when natural resources are used jointly, rules on their care and economically and ecologically sustainable use, emerge with time.

Ostrom's Nobel Prize was in practice awarded to the idea that starting from the bottom can be a good alternative to the state and the market. These cultural changes are just the first consequences of the release of the energies trapped by the twentieth century deadlock. A relational society is possible because the twentieth century is over.

3. America: from de Tocqueville to Katrina

I argued that economy, society, culture and politics in America are diseased. According to some, the American disease is genetic. Its foundations are allegedly written either in the history, or the culture, or the institutions, or the economy from which the country was born. I believe this opinion is wrong.

In the nineteenth century, de Tocqueville was struck by the great degree of sociability of Americans. The equality of conditions, cohesion, solidarity and easy social contacts among Americans appeared to him much greater than in the Old World.

Wilkinson and Pickett (2009) compare the conditions of American social relations observed by de Tocqueville with those revealed by Hurricane Katrina, which devastated New Orleans together with the rest of Louisiana in August 2008. The whole world was astonished by the social climate and tensions that exploded in the days following the disaster. In Europe, natural disasters are normally followed by a wave of solidarity. Even dictatorships like China - where unarmed soldiers were rapidly deployed after the devastating 2008 earthquake – seem to prioritize rescue and relief rather than social control after natural disasters. In New Orleans, the scenario offered shootings, looting and soldiers patrolling the flooded streets in boats, not to evacuate people or bring in supplies, but armed with machine guns ready to shoot to regain control of the shattered social life. Indeed, Louisiana's governor encouraged the soldiers to shoot.[25]

25 Louisiana Governor Kathleen Blanco said: troops "have Mi6s and are locked and loaded. These troops know how to shoot and kill and I expect they will.'

The evolution of Americans' sociability from de Tocqueville to Katrina shows that the United States does not have a disease written into its genome, although this country has a dark and violent side, deeply rooted in its history. But perhaps this regards all countries.

It certainly fits many European countries. Skeletons in the closets and dark pages are strewn throughout twentieth century European history. Just think of colonialism, fascism in Italy, Nazism in Germany, the brutality of the Civil War in Spain, the recurrent authoritarian and chauvinistic temptations in France, and so on. Probably, most countries have potentially positive and negative energies written in their history and culture. However, it is a country's political choices that will ultimately influence which potential energies will be developed.

The American disease is neither genetic nor incurable. America has changed, and the question is to understand how a country with such huge economic, social and cultural resources, that is so full of energy and dynamism, has come to this point. America has become what it is because in the last decades it embraced a failed project that nurtured the worst aspects of the country, throwing it into a deep crisis that ended up involving the rest of the world.

4. "Does economic growth improve the human lot?" is the wrong question

The happiness paradox debate revolves around the title of the seminal article by Easterlin (1974): Does economic growth improve the human lot?

The point of view expressed in the present book implies that this is the wrong question. The right one is: What growth improves the human lot? Different types of growth can have opposite effects on happiness. Capitalism can produce growth – and has done so for a long time – because it produces better and better goods at cheaper prices, thus increasingly meeting the material needs of the population. However, defensive capitalism generates growth because it creates new market needs. It does so by offering material compensation for immaterial needs that remain increasingly unsatisfied, and by building the biggest propaganda apparatus in human history to convince people that shopping is the solution to their problems.

This issue of the social and cultural quality of growth is critical for developing countries, although their need for *any* kind of economic growth may appear more compelling than for developed countries. China and India – where life satisfaction sharply decreased across the golden years of

record growth rates (1990-2007) – are among the most striking examples of the happiness paradox. China's and India's very poor economic conditions at the beginning of the 1990s make their declines in subjective well-being even more astonishing than America's. If there are two countries where economic growth should have played a significant role in people's well-being, they are China and India. Since the early 1980s, more than half a billion people in China have been lifted out of absolute poverty (World Bank, 2014b). With GDP per capita growing by about 10% annually since the 1990s, living conditions for hundreds of millions have continued to improve significantly. Between 1990 and 2010, the percentage of the rural population with access to a reliable supply of clean water rose from 56% to 85%, and average annual growth of household final consumption expenditure was 6.5%. Indian figures are similar, though less triumphal.

However, life satisfaction fell by 7.1% in China and 7.6 % in India (Bartolini and Sarracino 2015). The reasons for this decline are surprisingly similar to those of the US, since they reside in erosion of relationships and an outbreak of social comparisons (Brockmann et al. 2009, Bartolini and Sarracino 2015). American trends are not a risk exclusive to rich countries. The cases of India and China warn us that social sustainability is not a luxury good that can be afforded only when primary needs are reasonably met. The signs of defensive growth are also clearly visible in China and India.

5. Post-growth

In developed countries, a large part of economic growth has been defensive since the 1980s, especially in the United States. This growth was caused by a series of economic and social reforms that worsened the social crisis. The economy invaded the lives of children and adults, who were subordinated to commercial and productive pressures. The economy colonized the cities and natural environments we share, as well as our spare time, relationships and minds.

If what we wanted was just growth, then these changes worked. If, on the other hand, what we wanted was growth based on improved instead of declining quality of life, these changes did not work. How we judge this historical experience depends solely on our priorities. If the priority is well-being and money is only a means to that end, as I argued, then we should take a different path.

Which path? Although growth can have positive effects on well-being when it is socially and environmentally friendly, it cannot be the main perspective of increased well-being in rich countries. It would take decades of faster growth than now to achieve the durable improvement of well-being

possible through low or no cost relational policies. Accelerating growth would also involve implementing growth policies that would intensify the onslaught of the economy upon our lives, further worsening the quality of life.

Western societies are already organized according to economic priorities. However, although all possible means are used to boost the economy, average growth rates have dropped in Western countries every decade since the 1950s. In the past three decades, such growth as remains has depended on the creation of speculative bubbles (Turner 2014) and increasing distress. During the recovery that followed the financial crisis of 2008, GDP has grown even more slowly than before the crisis. All in all, the real surprise is that economies so obsessively supported by social and cultural organization grow so slowly.

Recent debate concerning 'secular stagnation' – slow growth over the long run – that may afflict developed economies (Teulings and Baldwin, 2014), indicates growing awareness among economists of a new era of low growth for rich countries. Unfortunately, the resulting policy prescriptions (ranging from not using monetary policy to avoid speculative bubbles, to fostering labour market participation) so far suggest stronger attempts at boosting growth. In effect, the suggested response to declining growth is to stimulate growth. While we are still struggling with the consequences of an enormous credit bubble, this response illustrates the difficulty of moving away from indefinite growth.

It is difficult to find a worse social project than a growthless growth society. Like a Pavlov reflex, we react to secular stagnation with renewed attempts at besieging people's lives with the economy. The defensive growth obtained in this way would be small and would worsen the social crisis. A more sensible reaction to secular stagnation would be to stop waiting for Godot, i.e. growth that will never come. And that would be undesirable if obtained with the methods in vogue today.

There begins to be some agreement that a social and not an economic crisis is at the root of the decline in American happiness. Jeffrey Sachs, special advisor to United Nations Secretary-General Ban Ki-Moon, recently analyzed the decline in well-being in the United States from 2006 to 2016 and came to conclusions similar to mine with regard to the three decades preceding that period of observation. Sachs complains that "the United States offers a vivid portrait of a country that is looking for happiness in all the wrong places." Indeed, American politics is focused on growth: i.e. the wrong target. "And the prescriptions for faster growth—mainly deregulation and tax cuts—are

likely to exacerbate, not reduce social tensions" (Sachs 2017 p. 183). Sachs addresses the disproportionate political influence of corporations as the main cause for this short-sightedness.

Despite these encouraging signs of cultural change, general awareness that our future depends on a realistic perspective for a post-growth society is still in its infancy. We should be aware that a shift to being less obsessed with the economy would probably lead to even lower growth rates than at present. This would not imply an absence of economic progress. Rather, it implies a change in the notion of economic progress, which is currently colonized by the idea that it means buying more stuff. Actually, we can use gains in our productive capacity due to technological advances to increase leisure instead of production. This is also economic progress, and we have been aware of it since the Industrial Revolution, although in recent decades it has dipped below the horizon of the western world.

We can enjoy more of what we need most: more time and more quality of relationships and of the environment. We can enjoy them by changing our patterns of consumption and production, currently excessively centered on private goods. We can use our economic prosperity to increase the quality of life. And we can do it with economies that grow little, if at all. Indeed, expansion of many types of economic activity prevents instead of promoting this project.

6. Where are we now?

The focus of this book is on the type of capitalism that took root in the 1980s and ripened into the crisis of 2008. What happened after the recovery? We are experiencing instability due to the crisis of defensive capitalism. This is not surprising because throughout history, instability has always followed crises of a global order. It is not at all clear where this crisis will lead.

Let's see the main news of the post-recession period. The first is that the economic and political ruling classes of the western world have not focused on any exit strategy from defensive growth. Quite to the contrary, they are trying to get it working again. The main ingredients of this attempt to return to *business as usual* are: injecting an incredible quantity of liquidity into the economy via central banks; spreading messages of stability and reassurance, the keywords of good business; fueling the invasion of the economy into people's lives.

The second news is that the plan is not working. By now it is clear that liquidity injection has inflated a gigantic financial bubble. The mountain of debt on which the world is perched – and that caused the 2008 crisis – has grown. The ten years since the crisis have simply worsened the social crisis and accumulated further enormous risks of economic crisis.

The social crisis has finally erupted into a political crisis. There are clear problems of political consensus regarding the return to *business as usual*. The political system that has held sway in the West since WWII is experiencing a melt-down. Political competition was reserved for two blocks, center-left and center-right. After more than 60 years of alternation between these two blocks, we find plenty of political novelties. The media tend to highlight the resurrection of right-wing radicalism, but the truth is that leftist radicalism is also rising. Both seemed buried since the 1940s, but at the time of writing (October 2017), the surprising followings of Sanders in the US, Corbyn in the UK and Melenchon in France have brought the radical left back onto the political stage.

The new wave of left and right radicalism shares heated criticism of globalization. For radical right wingers the hostility to globalization takes the form of nationalism. Nationalism is the breaking news, at least for the time being. It is very bad news.

6. 1. The bad news

A majority of Americans elected Donald Trump, after a majority of British voted for Brexit. Both election campaigns appealed to nostalgia for the good old days, a past in which the United States and Great Britain were more important than today. The message was to make America/Great Britain great again by removing the limits to national sovereignty imposed by immigration and external constraints (trade agreements for the US, EU membership for GB). The message worked. Brexit and Trump are only the latest episodes of a wave of nationalism. Nationalist parties have had increasing electoral success in various European countries and finally the wave reached America.

Observers have often noticed disquieting similarities between the current situation in the western world and the 1930s. They underline that 1930s nationalism in Europe was due to the Great Depression of 1929 and that history is repeating itself, since after the crisis of 2008, nationalist forces have greatly increased in political weight in many countries. They also indicate a cultural similarity: 1930s and current nationalisms are both based on an appeal to identity, often streaked with authoritarianism and racism. The nationalisms of both periods broadcast the “tenets of a

political religion that denied the idea of the brotherhood of man in all its forms" (Polanyi 1968 p. 143). These resemblances send a shiver down the spines of the millions of Europeans who remember how the 1930s ended: with World War 2. Nationalisms end up finding an enemy to fight.

These analogies are true and regrettably there are also others. Now and in the 1930s, the explosion of identitarian nationalism was preceded by a slow build-up over several decades. Indeed, a wave of nationalisms upset Europe in the mid 1800s, growing more and more aggressive until the outbreak of World War 1. In Italy, fascism came to power in 1922, well before the Great Depression. Hitler was carried to power in 1933 by the economic crisis, but the rise of aggressive nationalism dates back to before the 1930s. The Great Depression merely strengthened tendencies that predated the crisis.

The same happened recently: the rise of European nationalisms dates back to the 1980s (Le Pen) and 1990s (Haider in Austria, Pym Fortuyn in The Netherlands, Lega Nord in Italy26). The 2008 crisis expedited their rise.

The idea that the current proliferation of nationalisms is due to the Great Recession is somehow consolatory because it suggests that with the recovery, the nationalist fish pond will dry up. However, the water was there before the economic crisis and it will therefore not dry up when (and if) the good old days of economic growth return. In fact, in the United States the crisis has been over for some time (unlike in Europe) but President Trump was elected all the same.

What is the water in which nationalisms proliferate? The historian Karl Polanyi's explanation of the rise of Nazi-Fascism is still the best and also holds good for the current wave of nationalisms. In The Great Transformation, published in 1944, Polanyi argues that the rise of Nazi-Fascism in the heart of Europe between the two world wars was caused by the excessive predominance of the economy over the other components of society, causing social cleavages and the rise of authoritarianism. According to Polanyi, the market economy has enormous destructive power because it colonizes all

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26 It may seem strange to include a regionalist movement like Lega Nord of the 1990s among European nationalisms. However, the Lega has always been xenophobic and therefore profoundly different from autonomist or independentist political forces in other European regions, such as Scotland, Catalonia and the Basque country, where there has never been a xenophobic prevalence. In this sense the Lega of the 1990s paved the way for its current fully nationalist evolution.

spheres of social life. An economy that stimulates selfishness, competition and possession has destructive effects on sociability and community. The market forges our sociability, political system, personal and shared space, information, natural environment, community bonds, spare time, and even how our children are raised, towards commercial ends.

Societies have always defended themselves against this destructive power by regulating markets, but by the 1920s, this regulation succumbed to a wave of globalization that was increasingly subjecting daily life to economic priorities. The economy overflowed into society. Several pages of Polanyi's work warn us: in the 1920s, the economy was globalized and investment banks had immense influence over government decisions. Does this sound familiar?

Commercial colonization of society makes society unstable. In the 1920s, the "self-defense of society" was set in motion and took two completely different paths: the first was Bolshevism, which proposed a radical alternative to the market society; the second was Fascism. Today the economy dominates society far more than it did then. And again society defends itself against economic domination by polarizing into opposite political radicalisms.

Polanyi's explanation is convincing because it points out the common elements of the two periods when nationalism exploded: both happened in the context of furious globalization. In this situation, like today, national borders have become a fence within which to protect oneself from the storms of global capitalism. These storms become personified. According to Polanyi, the Nazis saw Jews as personifying the corrosive power of money on the community. The contemporary migrant personifies globalization. The migrant is living proof that we cannot escape globalization in our daily life. For many people this perception prevails over that of migrants as the first victims of globalization. Solitude and a feeling of powerlessness are the engine of nationalist consensus.

To resist the economic, social, cultural and demographic havoc wreaked by global storms, the national fence must be robust and organized by strong people. This is the source of authoritarianism, which in the 1930s and now, is fueled by mistrust arising from the failure of democracy, seen as ineffective and subservient to obscure interests. A major leader of the current wave of nationalism in Europe, the Hungarian prime minister Orban, considers the western democratic model to be dead and sees a future in authoritarian regimes like those in Russia, China and Turkey. "We have to abandon liberal methods and principles in the organization of society", he declared. "We are building a purposely illiberal state, a non liberal state, because the liberal values

of the western world today include corruption, sex and violence." Also the comparison of Chinese authoritarianism and Indian democracy suggests that the former can work better. While Indian development is hindered, by a chronic shortage of infrastructure, the Chinese are building motorways, ports, airports and high-speed railways.

The similarities between yesterday and today are therefore striking. In some ways, things are even worse now than in the 1930s, because nationalism has abundantly escaped its European borders. Apart from in the United States, it can be observed in the India of prime minister Narendra Modi, who was elected on a Hindu nationalist agenda. In the Philippines, president Duterte's consensus is based on open support for the death squads that hunt down drug peddlers.

The 1930s and today show similar reactions to similar waves of globalization. The first wave, of dramatic proportions, occurred at the turn of the century (around 1900). Europe was swamped by wheat imports from North America, Russia and northern India. The impossibly low prices of imported wheat meant the end of wheat cultivation in many European countries (often their leading crop), and the end of the associated rural social order. Resistance and protests caused by wheat imports prompted many European countries to levy import tariffs.

This first wave of resistance to a tide of globalization that changed the daily life of millions of Europeans was not successful in the long period. International trade continued to grow rapidly until the Great Depression of 1929. International movements of capital doubled between 1900 and the outbreak of World War 1, reaching a volume in relation to GDP that has never since been equaled. This confirms that the rise of European nationalisms was accompanied by intense globalization.

6.2. The good news

We have seen the bad news, so now for the good news. There is a good probability that the outcome of the current wave of nationalism will be very different from that of the 1930s, for four reasons:

1) Communism has gone. The fear of and attraction for Bolshevism deeply divided European society in the 1930s. Many saw Fascism as the only solution to instability, social protests and the growing influence of workers parties. This is the point that makes the greatest difference with respect to today, because today nobody is threatened by dangerous ideas or by a super power armed to the teeth. Middle-eastern terrorism cannot replace the USSR as scarecrow; the USSR was a real and incomparably greater threat.

2) Nationalisms will hardly achieve extensive power in the western world. Often it is said that the western public is shifting to the right on immigration. This is not true. Public opinion is becoming polarized on immigration, as on most other issues. European electoral dynamics clearly show this: whenever nationalist parties had a real chance of winning a major election, the electors joined forces against them. In France this has happened three times for presidential second ballots (the first in 2002) and it has also happened in other European countries, like The Netherlands. Conclusion: an increasing number of people are fascinated by xenophobic ideas and an increasing number of people vote against them. The latter's motivation strengthens as the xenophobic threat becomes increasingly real, causing them to coalesce. On the whole, we are far from the blanket popularity enjoyed by Hitler and Mussolini. The more xenophobia grows, the stronger the will to block it. This is now practically the only way to unite people who are divided on all other questions. It is a mechanism that could keep nationalist parties far from power for a long time. The idea of the brotherhood of man has been strongly rooted in Europe since the end of World War 2, and it will not be easy to uproot it. In western Europe, nationalism is more likely to destabilize European political systems than to conquer them.

3) If the nationalists come to power, how long will they remain? The solutions they propose are completely unrealistic, like rigid border control to stop illegal immigrants. In a world destabilized by wars, poverty, dictators and ecological disasters – and in which the western world is an island of stability and prosperity – the idea that policing can block migration is an illusion. Conclusion: a nationalist government would be ineffective and would not remain in power for long. The problem is not nationalism but construction of an alternative for the problems of globalization.

4) Finally, whatever happens, it is unlikely that it will culminate in war in Europe. The 60 million dead of World War 2 are lesson enough, even after 70 years.

In conclusion, in a major sense we are experiencing a replica of the 1930s but the probability that it will finish much better is high. The present time is rife with dangers but also rich in opportunities. There is a real possibility that a positive exit strategy from defensive capitalism could prevail. The choices facing us are largely about the sense of our social organization. If we decide that the economy should serve us instead of we serving it, then we have to humanize it. After all, the economy is our own invention.

In the end, the world will probably turn to something more realistic than nationalism to solve the problem of the assault of the economy on our lives. If there are concrete, feasible projects, they will prevail. The alternative is economic, political, social and perhaps military instability. I think that there are already solid projects and that they are emerging into the light. This is why, on the whole, I am optimistic.

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