

1. Why ‘interpersonal relationships’ need to be included in measures of wellbeing

OVERVIEW

This chapter introduces why we should pay attention to the quality of interpersonal relationships in the first place. It highlights the shortcomings of a materialistic, individualistic society and describes how we might benefit from a greater focus on relationships between people. It can be seen that it takes greater and greater doses of money to make any difference to wellbeing once people have enough resources to cover their basic needs, whereas steady inputs into the quality of interpersonal relationships can have an ongoing impact on quality of life. Monitoring the things that matter helps us to steer the right course for ourselves.

1.1 MEASURING THE GOOD LIFE

When we want to know how well things are going for people we often look at how much money they are making, since money pays for things that make life better. Today, most countries hold the pursuit of economic growth (that is, GDP growth)¹ as one of their primary objectives, and the world’s average inflation-adjusted income per head of population is now higher than it has ever been. But along with these unprecedented riches there is mounting evidence of social and environmental strains, bringing into question the long-term consequences of this focus.

In 2008 for the first time a Western government (the French government under President Sarkozy) commissioned an economic development report that was to include not only GDP (money making), but also consideration for the *distribution* of incomes and of accumulated wealth. It also added a wider set of quality-of-life indicators including health, education, personal

¹ Gross Domestic Product (GDP) is the total value of everything produced within a country’s borders over a specific period of time (3 months or a year).

activities including work, relationships and social connections, living environment, political voice and governance and personal ratings of how satisfied respondents felt with their own lives. The *sustainability* and *stability* of these various aspects of wellbeing going forward were also considered.²

The ability of a country to generate money was considered an inadequate single measure for several reasons. For one thing it would seem that, over and above a standard of living that covers basic needs, it takes greater and greater inputs of money to add anything to the enjoyment of life. This disparity between growing incomes and happiness has been dubbed the 'Easterlin paradox'.³ It was observed that amongst people with very little money, an extra few dollars adds a great deal to their personal sense of wellbeing, but for the rich, a few extra dollars adds very little. On the environmental side, the exponentially increasing consumption that is necessary to make any difference to wellbeing amongst the rich is completely unsustainable, the earth's resources being finite.⁴ On the social side, the way wealth is *distributed* has social implications that aggregated income measures cannot capture, with highly unequal distribution exacerbating the sense of disconnect between people and putting severe strain on social structures. The stresses faced by those at the 'bottom of the heap' is found to foster a whole range of vices, and even one's sense of satisfaction in having 'enough' is eroded when surrounded by peers who have more.⁵ Moreover to focus on money appears to crowd out the attention devoted to interpersonal relationships, adding to social strains in ever increasing measure.⁶

Subjective measures of wellbeing (asking people to rate how satisfied they are with their lives overall on a scale of 0 (extremely dissatisfied) to 10 (extremely satisfied)) helps us to untangle the interaction between wealth, a person's social environment, and quality of life.⁷ Using these measures in a cross-country comparison, it would seem that increasing wealth increases a population's life-satisfaction in the short term, but

² Stiglitz et al. (2009).

³ Following Easterlin's observations published in 1974. See also Layard (2005); NEF (2004); Inglehart et al. (2008).

⁴ Daly and Farley (2004); Gore (2007); Coyle (2011).

⁵ Wilkinson and Pickett (2009); Hirsch (1976); Jackson (2009).

⁶ Bartolini et al. (2014).

⁷ Asking people to rate their own wellbeing might seem simplistic, and yet the responses to such questions are found to be remarkably well correlated with more objective indicators of internal wellbeing. These objective measures include exposure to negative living environments (Oswald and Wu 2010); the presence of the stress hormone, cortisol, in the blood or the incidence of stress-related disease (Steptoe et al. 2005); the frequency of a genuine or 'Duchenne' smile (Ekman et al. 1990); and even the recovery time from illness or wounds (Diener and Biswas-Diener 2008). Thus, we have evidence that simply asking people how happy they are reveals some credible information about wellbeing (see also Layard 2005).

the effects do not appear to last. Building positive relationships has the opposite effect though. In the short term they seem no big deal but in the long term a population that has built trust and voluntary association into their communities registers significant increases in life-satisfaction.⁸ Research on a more local scale would suggest that minor, repeated relational or experience oriented events stack up to improve these satisfaction levels long term.⁹ Shared experiences are particularly valuable since the relational element is enduring. All this is to suggest that the relational factor seems important to study: it has both direct and indirect effects on life-satisfaction, and it is a factor distinct from the more closely monitored process of making money, even though money making and relational considerations interact (sometimes positively, sometimes negatively) in many ways.

This chapter looks further into the effect of money on wellbeing and then the effect of interpersonal relationships on wellbeing. It also describes how materialistic concerns *interact* with a person's social concerns. Finally, it considers the pitfalls to avoid even in the use of life-satisfaction indicators themselves, highlighting why it matters so much to get our indicators of welfare right.

1.2 MONEY AND LIFE-SATISFACTION

Many reasons have been proposed for the lack of correlation between rising incomes and improved life-satisfaction. First, a jump in income can offer us a short-term happiness boost, but the feeling does not last. Even lottery winners report levels of life-satisfaction not significantly different from a control group when interviewed between one and eighteen months after the event. Material stimuli seem to have a tangible impact on life-satisfaction for up to about three months, beyond which life-satisfaction levels no longer reflect any significant change.¹⁰ This is because of adaptation; our expectations quickly adjust to a new financial status, and then we are left feeling no better-off than before. . . until the next input boost. . . keeping us on a kind of materialistic treadmill. Brickman and Campbell coined the term 'hedonistic treadmill' in 1971, and its existence has been confirmed and reconfirmed by researchers ever since.¹¹ The issue of adaptation to income has been captured through asking people

⁸ Bartolini and Sarracino (2014).

⁹ Mochon et al. (2008).

¹⁰ Brickman et al. (1978); Suh et al. (1996).

¹¹ For example, Clark et al. (2008); Layard (2005); Van Praag and Frijters (1999).

of different incomes what level of income they consider to be 'good'. The study revealed that the higher the income people have, the bigger the sum has to be before it is considered 'good'.¹² Since people are not generally aware that they are on a hedonistic treadmill, they tend to overinvest in the accumulation of material goods, expecting that such investments will yield more wellbeing than they actually can.¹³

But there is a further reason why we cannot stop this hedonistic treadmill: social comparisons. This was referred to as a 'positional treadmill' by Frank in 1985. The idea is that we do not value goods so much in an *absolute* sense as in *relative* terms.¹⁴ In a social setting, this means that material goods only make people happy if their possessions are as good as or better than those of their peers. Since these peers feel the same way, everyone ends up in a status competition. Moreover, those who happen to move up the status ladder have a tendency to change their reference group, so even going up does not relieve the struggle because there is always someone further up still.¹⁵ An experiment that captures the essence of these 'positional concerns' was run back in 1998: students were given two scenarios and asked to pick out their personal favourite. In the first scenario, 'your annual income totals US\$50 thousand in a world where others earned US\$25 thousand', whilst in the second scenario, 'your annual income totals US\$100 thousand in a world where others earn US\$200 thousand.' It turned out that the majority of students preferred the first scenario; they would rather accept the lower salary so long as their income exceeded that of others. The materialistic aspect of this rivalry is revealed in the fact that these 'positional concerns' did not extend to leisure time: when it came to taking holidays, people were not concerned if others had more or less time off than they did; they just selected the scenario that maximized their own days off. It was only when it came to money that one's status relative to other people became so important.¹⁶

The more importance people attach to buyable goods (the more materialistic they are), the worse people feel if they do not keep up, and the more intense the status battle becomes. Creeping materialism has been traced in changing answers to questions about how important material considerations are to a person compared to the importance they attach to intrinsic motivations like 'honesty' or 'friendship'. For example, in 1970 a student survey in the US found 39 per cent of its sample agreeing with the

¹² Van Praag and Frijters (1999).

¹³ Layard (2005).

¹⁴ Helson (1964); Hirsch (1976).

¹⁵ Frey and Stutzer (2002).

¹⁶ Solnick and Hemenway (1998).

statement that 'being very well off financially' was at least a very important goal in life. By 1995 this figure had risen to 74 per cent. Monetary status had assumed increasing importance over the years.¹⁷

Materialism and the rise of social comparisons can also be traced in the degree to which people are satisfied with their financial status. The satisfaction that the average person in the US feels with respect to their income is declining, despite the fact that in absolute terms, wealth is rising.¹⁸ This dissatisfaction is directly related to social comparisons; people are less happy with what they have got because they are increasingly concerned about the way their incomes compare to what other people might be getting. Moreover, subjective wellbeing is found to be negatively related to one's level of income aspiration; *caring* more about getting a high income reduces life-satisfaction.¹⁹ A materialistic, wealth-oriented environment actually damages life-satisfaction then, although positive relationships can actually *mitigate* the negative feelings people get when their incomes are not as high as other people's incomes.²⁰ This is to suggest that wealth gives us a lot more satisfaction if relationships are kept intact, although relationships are the very assets that are put under strain during the course of materialistic pursuits.

Materialism is reinforced by firms anxious to sell their products and continually selling us the importance of material goods. Everyday services are paid for by this advertising, which means that we are fed this world view all the time by the media. Wealth creation is the domain of capitalism, which focuses our attention on competitive, 'survival of the fittest' type norms and dynamics, validating a norm in which some people rise and others fall in the struggle to get ahead. Time and money is invested into moving up, moving out, and detaching from 'lesser' social groups, a process that polarizes communities and fuels inequality. Those who succeed, where motivated by money, will use that success as leverage on rule-making and trading institutions so as to capture even more economic gain. Their money and power increase relative to the money and power of others. Analysis of the tendency of a society to polarize as its citizens focus on wealth creation has been carried out by economists from Marx to Piketty.

There are important social implications of unequal societies: an 'inferior' financial position translates into an 'inferior' social position, and this sense of inferiority actually alters the way people feel about themselves and the way that they relate to others. Antisocial behaviour patterns

¹⁷ Myers and Diener (1997).

¹⁸ Bartolini et al. (2014); Lane (2001).

¹⁹ Stutzer (2004).

²⁰ Piekalkiewicz (2016).

follow, such that inequality is associated with a fantastic range of social problems; health related, crime related, and (troubled) family related.²¹

We see then that a monetary focus does not necessarily increase our quality of life, and especially in view of the social strains that arise as our focus becomes more materialistic. There is more to say on this in section 1.4, but first it is helpful to consider in what way social factors matter in the first place. Section 1.3 explores the interaction between social relationships and life-satisfaction.

1.3 INTERPERSONAL RELATIONSHIPS AND LIFE-SATISFACTION

Ask people in the UK to select the single most important factor contributing to their life-satisfaction, and we find that by far the most popular response has to do with relational connections, especially the family.²² Money, financial security and even health was far less prominent in the minds of the British. Complementary results were found in a smaller, local survey of people in Berkshire.²³ Residents were asked to report how well their community was doing in various domains and also about their ideas for addressing problems. The strongest, recurring themes running through the suggested solutions to community problems concerned values, neighbourliness, and individuals thinking not only about their own interests and impulses but taking responsibility for the welfare of the whole community.²⁴ Building strong ties between local people in the community was the most important priority mentioned in every district surveyed. The survey also revealed that the people doing the most for others were those who were widely connected and involved with peers doing the same thing, for example through thriving charities. Discouragement was expressed mostly where it was felt that others were not getting involved and helping to spread the load. Hence, people contributing to their communities tended to be people linked into giving *networks*, and these individuals

²¹ Wilkinson and Pickett (2009).

²² Jackson (2009) based on a poll run by the BBC of around 1000 respondents from all over the UK.

²³ Survey of 120 Berkshire residents carried out by Berkshire Community Foundation (Zischka et al., 2014).

²⁴ The perceptiveness of the respondents was reflected in the fact that the gravity with which they regarded the various problems of their locality corresponded very closely to the official index of multiple deprivation for each area. When it came to suggesting ideas for addressing the problems, the respondents' ideas were unprompted – they filled in a blank box.

BOX 1.1 FIVE WAYS TO WELLBEING

Five key points produced for the public by the New Economics Foundation:

1. **Connect:** Connect with the people around you. With family, friends, colleagues and neighbours. . . Invest time in [these connections].
2. **Be Active:** Step outside. . . exercising makes you feel good. Discover a physical activity you enjoy and one that suits your level of mobility and fitness.
3. **Take Notice:** Be curious. Catch sight of the beautiful. Remark on the unusual. Savour the moment. Reflecting on your experiences will help you appreciate what matters to you.
4. **Keep learning:** Try something new. Set a challenge you will enjoy achieving. Learning new things will make you more confident as well as being fun.
5. **Give:** Do something nice for a friend, or a stranger. Volunteer your time. Join a community group. Look out, as well as in.

tended to be happier than others as well as their communities being better off.

The gut instinct that 'relationships matter' is more formally confirmed in research carried out by the 'Cambridge Prosociality and Wellbeing Laboratory'. This portrays relationships as essential predictors of wellbeing, as well as emphasizing the prosocial actions that support relationships and flow from them. Likewise, the 'Science of Generosity' website²⁵ shows how positive interpersonal relationships can reduce stress, thereby having an important impact on health. Relationships influence one's sense of identity, self-worth, security and purpose. People want to be unashamed in the presence of others,²⁶ and this is helped or hindered by the networks they belong to and the way they are treated in them.

The New Economics Foundation distilled the life-satisfaction literature into 'five ways to wellbeing' (Box 1.1)²⁷ and it is significant that two of these five are relational actions: connecting to others and giving (these two are linked, since 'connecting to others' demands at least a gift of *time* and often of *money* too).

Clearly there are circumstances feeding into life-satisfaction that we cannot change (such as genetic makeup and early experiences), but of the things we *can* change, positive relationships feature prominently.²⁸ Mutually beneficial and supportive relationships not only affect our

²⁵ Science of Generosity (n.d.).

²⁶ Bowles (2008); Dasgupta (2009).

²⁷ Aked et al. (2008).

²⁸ See also Huppert (2014).

personal sense of wellbeing; they also foster trust, and trust is essential to our ability to collaborate. Collaboration increases our productivity; our joint outcomes when we work together, each doing what we do best, is far greater than the sum of what we could achieve as separate individuals. Collaboration makes us more secure too. In connected communities we help one another out, spreading risk and enabling us to withstand shocks. Being united also makes us more powerful.²⁹ Thus, trusting, cohesive relationships (along with the institutions that back them up) yield material benefits (or ‘instrumental’ benefits) as well as ‘intrinsic’ benefits.

Intrinsically, we are social beings and thrive best in a positive relational setting. Good relationships and one’s position in a relationship relative to others both have a direct impact on life-satisfaction. Instrumentally, trusting, cohesive relationships foster collaboration, enabling us to improve our living standards, our peace/ability to resolve conflict and our resilience to shocks.

Despite the potential that relationships have to add value to our lives, not everything to do with interpersonal relationships is positive. Interdependence makes us vulnerable to *bad* treatment by others, and even in the best of circumstances it is restrictive to fit in with others since it costs us a certain amount of freedom in terms of what we should and should not do. In a crowded and interdependent world however, the option of living isolated lives and avoiding interaction altogether is unrealistic. More to the point is how we make the *best* of the connections we have, how we can minimize the negatives and maximize the positive aspects of the relationship.

We see then that paying attention to relationships between people is important to maintaining our quality of life, and that focusing only on material living standards puts a strain on precious social and environmental assets. This was touched on in section 1.2 where it was said that ‘wanting more’ decreases our satisfaction in what we have and stimulates negative emotions like envy. Note that ‘having more’ is not bad in itself, it is the *attitude* of continually desiring more and continually comparing to others that appears to have the detrimental effect. But focusing on material living standards also *squeezes out* our attention to social relationships. Section 1.4 describes this ‘trade-off’ between the pursuit of wealth and the health of social relations.

²⁹ Institutions also play a large part in the development of trust, but as will be discussed in later chapters, the nature of informal relationships between people is intimately connected with the sort of institutions that get set up (Acemoglu et al., 2004). Besides this, no system of rule can cover every eventuality, so the less formalized relational forces retain a vital role.

1.4 THE TENSION BETWEEN MATERIAL CONCERNS AND SOCIAL CONCERNS

Material concerns in developed economies drive people to work longer hours, to move house (community) or to take on crippling household debts. These things divert the time, energy, money and continuity available for building community relationships into the maintenance of a materialistic lifestyle. The materialistic cycle then becomes self-perpetuating as described in section 1.2, with the accompanying dearth of social connection driving people to seek their identity all the more in material goods.³⁰ All this is evidenced in rising social comparisons and rising inequalities. Life-satisfaction is compromised and social vices increase. Beyond these immediate impacts however, the very focus of life begins to be diverted too. The following evidence illustrates how motivations become centred on pursuing what is good for *me*, and how this attitude crowds out prosocial motivations that are centred on what is good for *us* and our favourable co-existence. It shows how materialistic stimuli *damage* social considerations.

The first oft-quoted case study illustrating this damage concerns six day-care centres in Haifa which decided to impose a fine on parents who picked up their children late. The management expected the fines to motivate parents to come on time, but instead the introduction of the fine was followed by parents *doubling* the fraction of time they arrived late. It would appear that the introduction of monetary incentives undermined the sense of ethical obligation that parents felt towards the teachers. Although monetary incentives were motivating, they also led the parents to believe that lateness was a commodity they could purchase. The damage this did to their sense of moral obligation far outweighed the motivating forces of the fine. After 12 weeks the fine was revoked, but the prosocial motivations had been permanently lost; parents continued to come twice as late as they did at first.³¹

Similarly, an experiment was run in Switzerland in which people were asked if they would accept the construction of a nuclear waste repository near their community. Around half of the inhabitants agreed (50.8 per cent), reasoning that the waste has to go *somewhere*. However, when offered financial compensation for the building of the repository, the percentage of persons agreeing to the construction *dropped* to 24.6 per cent. This was not just because people were suddenly awakened to the potential risks by the necessity for compensation; that factor was controlled for. Nor was it

³⁰ Bartolini (2014).

³¹ Bowles (2008).

simply strategic bargaining; significantly raising levels of compensation did not induce people to change their minds. The experimentalists rather conclude that the introduction of monetary incentives, although powerful, had an effect of crowding out intrinsic motivations or ‘public spiritedness’ that brings individuals to sacrifice their short-term interests for the good of the whole.³²

As another example, the subjects of an experiment were asked to play a two-player strategic game in which both players benefited from making a cooperative move simultaneously, and yet each player had no clue how the other person in the game would play ahead of time. If one player made a cooperative move when the other player did not, then the cooperative player bore the loss.³³ This made cooperation valuable but risky. The game was repeated with multiple different persons and with only one variation in its presentation. Half of the participants were told that this was a ‘community game’ whilst the other half was told that this was a ‘Wall Street game’. It was found that significantly higher rates of cooperation were achieved when the game was labelled a ‘community game’. It would seem that evoking the concept of competition by mentioning ‘Wall Street’ was enough to signal to players that cooperation was inappropriate and self-interest the better strategy. This is not irrational, it simply demonstrates how a person’s willingness to cooperate is influenced by the signals being sent out by the social environment.³⁴ The same result has been confirmed in many other experiments, and especially in experiments regarding the way people are prepared to share out new income.³⁵ The conclusion drawn is that by default, the decisions people make *do* take into consideration the needs and interests of other people, and yet this cooperative mindset depends on knowing the intention of other people, whether they intend to respect the same norms. In a competitive social environment driven by material incentives these defaults are altered. People know that the competitive market is not a context in which people share, but rather the accepted mode of behaviour is for everyone to maximize their own interests/welfare, and so this is exactly what they do.

Self-interest might be an acceptable form of behaviour in the marketplace, but it is not necessarily an appropriate response to *everything*; such a response certainly has a negative impact on the way we behave towards others. Even within the work environment, it has been found that once work relationships are framed as competitive rather than cooperative,

³² Frey and Oberholzer-Gee (1997).

³³ A variation on the ‘prisoner’s dilemma’.

³⁴ Ross and Ward (1996).

³⁵ Levy-Garboua et al. (2006).

prosocial attributes like trust (trustworthiness) plummet and job satisfaction with it.³⁶ Incentives in the workplace therefore need to be used with care. They usually lead to an improvement of performance in the incentivized area *at the expense of* prosocial motivations upon which longer-term cooperation depends. Effort is shifted from the unmeasurable to the measurable, from intangible social benefits to tangible material status. Indeed, experiments from a whole range of different cultures and under varying levels of competition would suggest that individuals who are put into a materialistic, competitive environment in which there is no power to punish self-seeking behaviour tend to act more and more exclusively on self-centred principles themselves, eclipsing the principles of fairness and cooperation.³⁷

All these examples point to the same conclusion: a socio-economic environment that treats human beings as selfish *makes* them selfish. Although more wealth is desirable, to focus only on acquiring it and to appeal only to self-centred, competitive norms is to damage our more prosocial impulses. Evidence would suggest that we do not think each of our decisions through in a deliberate, logical manner; rather, we respond to social cues and to general frameworks of thought.³⁸ This is why setting up a prosocial environment as opposed to an individualistic, materialistic one is so crucial to the kind of decisions we make. People adjust to what is emphasized and expected.

Possibly because of these mechanisms, statistically significant linkages have been found between rising wealth, rising status concerns, rising inequality and a declining quality of social relationships, reflected in declining levels of trust and voluntary association.³⁹ The increasing wealth on its own has a positive effect on wellbeing, but because increasing wealth is often associated also with increased concern for material goods, increased inequality and damaged interpersonal relationships, the net effects on wellbeing can be very small or even negative.

All these factors help to explain why, despite all the personal effort and sacrifice put into the accumulation of wealth, life-satisfaction levels are not responding in consumeristic societies. We have also seen that the way we understand the world and what we focus in on is very important. Our focus affects our day-to-day decisions, and ultimately the wellbeing of society. The next section outlines the progression of our understanding of life-satisfaction, and on what we can best focus our efforts.

³⁶ Sacco et al. (2006).

³⁷ Fehr and Schmidt (2006).

³⁸ Ariely (2008); Thaler and Sunstein (2008).

³⁹ Bartolini et al. (2013).

1.5 IN SEARCH OF AN INDICATOR THAT DOES NOT MISDIRECT OUR ATTENTION

1.5.1 Self-interest is Not Our Only Motivation

For the last 200 years or so, economists have considered persons less as parts of a social unit, a unit for whose interests each individual works as part of a whole, and more as independent individuals, each maximizing their own interests.⁴⁰ In all but the most recent of economics textbooks, these independent individuals are assumed to each be guided by self-interest. ‘Others’ are considered chiefly in terms of the way they impinge on one’s own life, perhaps as a rival for resources or, if treated appropriately, as a potential instrument of provision and self-gratification. Agents may therefore act with consideration for the interests and preferences of others, but only insofar as it fits in with their *own* interests and preferences. Conforming to this theory, the ‘other’ person is essentially, in microeconomic jargon, a determinant of an individual’s own opportunity set. The idea of relations in which each individual acts with the goal of maximizing a group’s *joint* quality of life (despite the outcome being sub-optimal for some of the individuals within that group) is excluded from this economic framework. Models like this of mutually beneficial exchange were considered to pretty much account for the motivations behind human interaction and their impact on resource allocation, at least for everything above the household level. In this framework of thought, non-egocentric motivations required no special attention.

However, the relatively recent field of behavioural economics rather supports a view of humans as a *social* species, with prosocial behaviour patterns being motivated *intrinsically* (for reasons valid in themselves, not only for direct personal reward). Considering other people only as instruments for meeting one’s egocentric purposes might apply to some areas of human conduct, but somehow this small pattern of behaviour has been emphasized to such a degree that it has been expected to explain the whole of human interaction.⁴¹ The presence of non-egocentric motivations has been demonstrated by behavioural economists in two very simple experiments.

First the ‘dictator game’, in which one person, the dictator, is required to decide the allocation of a sum of money between themselves and another, passive individual. They can keep the whole sum themselves, or divide it. If the only influences on the decision maker were rational self-

⁴⁰ Bruni (2000); Wicksteed (1933).

⁴¹ Bruni (2000).

interest, they would invariably keep all the money. However, when put to the test, we find that even when the passive recipient is entirely anonymous and there is no direct consequence whatsoever to the dictator, around 70 per cent of dictators allocate part of the money to the other person.⁴² We see then that the decision is *not* based on self-interest alone; there are non-selfish influences in play as well. These influences are not necessarily other-centred (prosocial habits have a range of motivators)⁴³ but they certainly indicate that social factors influence one's decision-making process in ways significantly different from the calculating individualistic premise.

Likewise, there is the 'ultimatum game'. In this game, a proposer divides a sum of money, and the responder has the power to accept or reject the sum. If the responder accepts, both parties get the sum of money allocated by the proposer. If the responder rejects the offer, then neither party gets any money. Once again, since this is a one-off game, a rational, self-interested responder should accept any sum, however small, rather than rejecting the sum and getting nothing. But try it out and we find that the responder typically rejects any offer below 30–40 per cent of the total share-out.⁴⁴ The responder is clearly willing to accept a personal cost in order to 'punish' the proposer of an unfair share-out, at least insofar as that unfairness touches herself.

In these and many other examples, we see there are social and intrinsic motivations to decision-making that significantly impact resource allocations between people and which an individualistic economic theory cannot account for.⁴⁵ Moral sentiments are found to influence a person's behaviour, and there is also evidence that individuals make decisions based on the joint good of their social group even when this does not maximize their own personal advantage.⁴⁶ Although such prosocial behaviour forms may be masked in competitive markets due to the fact such motivations are not always appropriate for such a context, the market arena should be seen as the exception rather than the rule.⁴⁷ It is a mistake to overlook social considerations when trying to understand what matters for wellbeing. Not least, the nature of relationships between people affects our ability to collaborate,⁴⁸ but the rub with rising materialism that we saw in section 1.4 is that an increase in self-centred, materialistic motivations are suppressing the very motivations that make collaboration possible.

⁴² Henrich et al. (2004); Korenok et al. (2012).

⁴³ Bardsley (2008); Gui and Sugden (2010).

⁴⁴ Henrich et al. (2004); Oosterbeek et al. (2004).

⁴⁵ Kolm and Ythier (2006).

⁴⁶ Gui and Sugden (2010); Sugden (1984); Bardsley (2000); Van Lange (1999); Fiske (1992).

⁴⁷ Fehr and Schmidt (2006).

⁴⁸ Coleman (1988); Putnam et al. (1993); Gui (1996).

As mentioned in section 1.4, in order to process information quickly, we tend to be guided by rough frameworks of understanding rather than thinking each decision through rationally,⁴⁹ so the more we interpret life through the lens of an individualistic, materialistic mindset, the more our day-to-day decisions are likely to take on an individualistic character. Indicators of development that focus solely on monetary concerns may actually be misleading us then. This chapter so far has shown that concern for money is inversely related to the attention we pay to other people, and the strain on social structures is enormous. It matters then to get our indicators right, and we need a change of focus before intrinsic motivations are further damaged. . . so are life-satisfaction indicators better?

1.5.2 The Limitations of Life-satisfaction Indicators

Life-satisfaction measures have made an enormous contribution to our understanding of quality-of-life in revealing the limitations of wealth and the importance of social relationships. But having said that, consider the way that rating ‘personal life-satisfaction’ focuses our thoughts. Just like wealth measures, it is possible that the whole question of ‘increasing life-satisfaction’ turns our thoughts inward (what I need to make me happy) not outward (how we can make the world a happier place). This is because life-satisfaction questions appeal to the individual and his or her personal circumstances. This could suggest that ‘life-satisfaction measures’ suffer from the same social flaw as wealth-related measures in that they promote the pursuit of ‘good for me’ as a valid goal, and thereby bias our attention towards self-gratification, potentially at the expense of others.

The psychologist Carol Ryff offers perhaps a more profound definition of life-satisfaction based on the concept of eudaimonia or ‘flourishing’, an ancient concept dating back to Aristotle. Eudaimonia emphasizes ideals of belonging and benefiting others as one part of the big wellbeing mix, a concept which again enshrines the importance of relationships between people. Ryff pinpoints six items which are found to improve psychological wellbeing:⁵⁰ (1) autonomy; (2) personal growth; (3) self-acceptance; (4) purpose in life; (5) environmental mastery; (6) positive relations with others.

So, whilst a hedonistic approach to life-satisfaction might take any course of action that maximizes personal pleasure and minimizes personal pain, eudaimonia emphasizes wholeness as a person *and* within a society. This connection with one’s wider social circle is critical; it has more to do

⁴⁹ Thaler and Sunstein (2008); Ariely (2008).

⁵⁰ Ryff (1989); see also Huppert (2014).

with our joint wellbeing as a society rather than each for him or her-self: some win, some lose. For example, a hedonist might value extra material goods or free sex or lying one's way out of trouble or the instant gratification of TV chat simply because of the pleasure it maximizes and the pain it avoids. Eudaimonia puts these things into the context of environmental damage or family break-up or a loss of trustworthiness in society or the time taken away from building real relationships. We see then that life-satisfaction measures are also limited because public happiness or eudaimonia is not necessarily the same thing as private happiness or hedonism. There is no simple measure for the former quality, and a focus of public attention on the latter may easily be understood to justify the pursuit of ego-centric interests, again crowding out prosocial motivations. Let us turn then to the concept of virtue.

The Oxford dictionary associates virtue with high moral standards; 'right' behaviour for *society*, as opposed to expedience for the *individual*. Importantly, virtues have intrinsic value.⁵¹ This means that they are worth exercising for their own sake, rather than as an instrument by which to achieve some other goal such as happiness or approval. Relationships with other people (the way we treat each other) are a focus of these virtues. And just like the virtues, interpersonal relationships might be instrumental to improving quality of life, yet a significant aspect of their value is only experienced when valued for their *own sake*, with the rest as a side-effect. Gui touches on this in his concept of 'relational goods',⁵² in which he emphasizes their definition as 'non-contractable coordinated actions'. As soon as outcomes become the focus of attention, contracts about what each party should contribute to meet those ends are sure to appear and relationship loses its uniquely relational quality to become an economic contract. People are highly perceptive as to whether they are being treated well for some ulterior motive, or whether they are also valued intrinsically; for their own sake, and the spirit of any collaboration that follows will clearly differ depending on this point.⁵³ For example, in a work setting it has been found that whether bonuses were paid or whether there were cut-backs, it was how the changes were presented *relationally* that determined the knock-on effect these changes had on workers' output, on morale, theft, effort or even sabotage.⁵⁴

These relational elements are not captured by asking how satisfied *I* am and trying to find out what to do to increase *my* life-satisfaction.

⁵¹ Bruni and Sugden (2013).

⁵² Gui (1996).

⁵³ Kolm (2010), in Gui and Sugden (2010).

⁵⁴ Rotemberg (2006).

Relationships rather require me to consider how I am affecting the life-satisfaction of *others*. Identifying this prosocial attitude and discovering how it links to interpersonal relationships and to quality of life are some major themes of this book.

1.5.3 The Need for an Indicator of Relational Health

This chapter confirms that the health of interpersonal relationships is linked to quality of life. Cooperative social networks help our society to function more effectively as well as having intrinsic value (having value in their own right). Relational and monetary considerations each influence welfare without necessarily operating in tandem, implying that attention needs to be directed to both matters discretely. Withholding attention from relational matters may result in decision-making that erodes social cohesion/trust without the decision makers even being aware of what they are doing. On the other hand, bringing interpersonal relationships and prosocial activities into greater public focus not only protects policy makers from making unsuitable decisions, it also nudges us as individuals to be more considerate of others in our day-to-day choices. Because relational thinking has intrinsic value, this focus is unlikely to have unwanted side-effects, whilst any enhanced welfare that arises from improved relationships is not subject to adaptation.

Having shown how important it is to pay attention to relational health, the scene is set for the next chapter, social capital. Social capital is broadly introduced as our collective ‘stock’ of mutually beneficial and supportive relationships. It will be seen that the concept is huge, which leads to many scholarly disputes over exactly how social capital may be defined and measured. Chapter 2 clarifies the individual elements that contribute to cohesive, welfare-enhancing relationships. It points out that prosocial inclination is one element of relational health that has enormous bearing on the quality of relationships, but which has received little attention in the social capital literature. The research brings in the generosity literature and the behavioural economics literature to shed light on this missing aspect, furthering our understanding of the various elements that contribute to a more cohesive society.