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Is all productivity for the better?

Some time ago I wrote about a study that explained why wealth could not buy happiness. The work, by Professor Richard Easterlin of the University of Southern California, concluded that the satisfaction of any particular desire led inexorably to the creation of a new one.

Prof Easterlin noted that no matter how we progress throughout our lives, general levels of happiness across the population tend to remain constant. More than this, he said, our desire to buy things increases in proportion to our income. So the more we earn, the more we want.

Unfortunately these desires cannot be sated since we are never able to sustain anything more than some short-term gratification as a result of material gain. On the contrary, the more we gain, the more we want to increase our gains.

I suppose this explains why entrepreneurs find it difficult to call a halt to their quest for further acquisitions. The word "enough" is missing from their vocabulary.

The financial aspect of such acquisition is probably true for most of us, since, in a related study, Prof Easterlin found that when people were asked to define the source of happiness, most listed wealth after health and their families.

Part of Prof Easterlin's research referred to a study carried out by David McClelland, the social psychologist, nearly 50 years earlier. McClelland's so-called "ring toss" experiment involved children competing with each other in throwing hoops over wooden pegs. They were told they could stand as close to, or as far away from the pegs as they wished.

Before the experiment the children had completed a test that marked them on their urge to do well, or what McClelland called their "need for achievement".

The children with the highest scores in the test tended to stand at a distance that required a challenging throw - but not so challenging that they had no hope of succeeding.

As they improved, they extended the throwing distance. The low scorers would either stand far back or get so close that they could not miss the peg.

McClelland believed that western industrialised societies had built their economic success by encouraging those, as with the high-scoring children, who created challenges for themselves.

Prof Easterlin linked the "ring toss" findings with his observations about material gains. Just as the children with the strongest desire to do well set their aspirations in proportion to their abilities, "so increased earnings are matched by an increasing desire to buy things".

This basis for economic progression was questioned by John Kenneth Galbraith in *The Affluent Society*, his 1958 critique of the US in the aftermath of the second world war. Prof Galbraith was using the term in the book's title ironically since he argued that the affluence - derived from a concentration on private enterprise - ignored the

need for better public services.

Too much industrial effort, he suggested, was concentrated on satisfying trivial consumer desires when there was a more pressing need for improved public services in the form of better schools, social services and infrastructure.

There is a thread running through these debates that might have relevance to existing assumptions underpinning the UK government's determination to encourage greater productivity.

It is difficult to disagree with the trade and industry secretary Patricia Hewitt's argument that higher productivity generates more wages and profits for each hour that someone spends at work. The links between productivity and economic success appear irrefutable.

But should all productivity be seen as an economic good? Take the hamburger, for example. Sales of hamburgers in fast food outlets generate profits and jobs. But the heavy consumption of hamburgers and other fast foods is leading to a rise in obesity, thereby increasing health care costs and the misery of those who would like to weigh less than they do. It could be argued that we might have a healthier and happier society had hamburgers never been invented.

You can apply the same argument to jobs as Prof Galbraith did. Jobs and investment producing trivial consumer goods, he argued, were less desirable than those that helped to improve education and social well-being.

The government appears to have bought into part of this argument since it has diverted increasing tax revenues towards public services. Moreover, its education policies reflect the theories of human capital investment expounded in the 1960s by Theodore Schultz, an economist at the University of Chicago. Prof Schultz made the link between a better educated workforce, improved productivity and economic benefit.

Ms Hewitt has been persuaded by Michael Porter, the Harvard Business School professor, of the need to build the UK's innovative, technical and business skills in the belief that increasing international capacity for outsourcing is going to limit the future for many existing low-skilled service jobs.

But leaving aside the skills debate, should we accept that all productivity is good or is there such a thing as bad productivity that does not contribute very much to a healthy society?

After all, we have now reached the stage at which Tesco, the supermarket group, is introducing a shopping trolley designed to improve our fitness while we shop. Tesco itself has argued that its fitness theme might encourage people to buy healthier products.

But where is productivity being directed in this development? On the one hand, we need to devote productive effort to create goods on the supermarket shelves. On the other, we are being encouraged to expend further productive effort to take them off the shelves and consume them. Why not simply cut out all the unnecessary productivity in the middle of this process?

I am not suggesting here that the government's underlying policy on productivity is wrong. Far from it. The government is concerned to encourage greater skill levels,

enterprise and output from employees. Even so, is it perhaps too simplistic to link human endeavour wholly to profits and incomes?

There seems to be a direct, and adverse, link between the need for a fitter, healthier society from which we draw our workforce and the kind of consumption generated by that very same workforce. It all adds up to a lot of wasted effort and a lot of wasted resources.

Perhaps the department of government that has been encouraging us to spend much more time in the gym should be dealing more with the department that is intent on increasing profits-related productivity without any discrimination about the nature of those profits.

Prof Easterlin's study, aligned to the others quoted here, is questioning whether the headlong pursuit of the kind of affluence described by Prof Galbraith is going to produce a happier society.

My grandmother used to have a saying: "Enough is a feast". I'm beginning to understand what she meant.

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