

**Center for  
Economic Theories and Policies**  
Sofia University St. Kliment Ohridski  
Faculty of Economics and Business Administration

ISSN: 2367-7082



## **From Economic Growth to Sustainable Wellbeing**

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**BEP 02-2026**  
**Publication: March 2026**

# FROM ECONOMIC GROWTH TO SUSTAINABLE WELLBEING

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**Abstract:** *This article argues that growth is not always a path to greater happiness: based on data from 134 countries grouped into 6 regions, the analysis identified three major patterns in the relationship between economic growth and subjective wellbeing. In the Global North, there is a significant negative association – that is, higher growth impedes the population’s wellbeing. For the emerging economies in Asia and Latin America, the link is positive: higher economic growth promotes happiness. Finally, for a broad group of countries in Africa and the Middle East, as well as in the Eurasia region, there is no clear statistical association between growth and happiness, assumedly because of their statist and resource-based economic structure. The general conclusion confirms the existence of the Easterlin Paradox on an international level, which might be explained by two main factors: the higher marginal social and environmental costs of growth beyond a certain threshold, and the need for institutions to provide equitable distribution of the surplus output. The main policy implication of this finding is that “more growth” is an improper development prescription for both the richest and the poorest nations.*

**Keywords:** *economic growth; subjective wellbeing; post-growth; Easterlin Paradox; institutions*

**JEL Classification Codes:** *O43; O47; I31; R11*

## 1. Introduction

Economic growth is a complex social process that has brought numerous benefits to humanity, yet it cannot be interpreted as a universally positive phenomenon. When growth’s results are concentrated among a few individuals and companies, inequality increases and social cohesion deteriorates. Growth brings widespread prosperity only if there exist institutions that benefit its equitable distribution: social safety nets, proper labor rights, and public control over the direction of technological change (Acemoglu, Johnson, 2023). Additionally, when estimating the marginal

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costs of economic growth in terms of degraded social and natural capital, it becomes clear that nowadays, economic growth often turns into an anti-economic process (Daly, 1996, p. 87).

In the past, some scholars have argued that economic growth is the ultimate goal of every human society; for the sake of growth, not only social institutions and natural heritage but even the democratic principles of the functioning of the state could be compromised (Barro, 1996). Currently, the mainstream discussion increasingly sidelines such approaches, yet still holds the notion that growth is an invariably positive development. The scientific field of post-growth challenges this assumption, questioning the social expediency and the very ability of society to sustain the current path of output maximization. This new approach-turning-into-paradigm seeks alternatives in degrowth, steady-state economics, wellbeing and Doughnut economics, and many other global and regional solutions to the mixed blessings of growth (Kallis et al., 2025).

This article explores quantitatively the link between economic growth and subjective wellbeing within a broad sample of countries. Despite the established fact that the size of the per capita gross domestic product (GDP) is strongly correlated with the sense of wellbeing, the link between GDP growth and the self-reported wellbeing is much more nuanced, including negative. This is a counterintuitive result since GDP growth is the main vehicle to achieve a higher value of GDP per capita (the other – depopulation – would not contribute positively to the national wellbeing). The findings confirm the validity of the Easterlin Paradox (Easterlin, O’Connor, 2020), and reveal three major patterns of how growth influences happiness.

## **2. Methods**

The sample used in the quantitative research includes data on the socioeconomic status and the subjective wellbeing of 134 countries. (The smaller offshore jurisdictions and jurisdictions that do not supply regular data to the international bodies were subtracted from the global list). The countries were divided into six regional sub-groups: Middle East and North Africa (MENA, 11 countries), Sub-Saharan Africa (34), Latin America (18), the Western World (38), Asia (East and South Asia, 19), and Eurasia (16). The group of Eurasia comprises the countries of the former USSR that are not current members of the European Union (EU), as well as the Western Balkans. The Western World includes the member states of the EU, the other high-income countries in Europe, the United States, Canada, Australia, New Zealand, and Israel. The composition of the other groups follows the classification of the World Bank.

Economic growth was estimated for the five-year period between 2019 and 2023 and expressed in percentage points. To this end, the World Bank’s data about the per capita GDP according to the purchasing power parity in constant 2021 international dollars were used. Additionally, data on the Gross National Income (GNI) for 2023, according to the World Bank’s Atlas method, were utilized for dividing the sample into three equal parts: low-income, middle-income, and high-income. National average values on subjective wellbeing for 2023 are listed in the World Happiness Report (Helliwell et al., 2024). Gallup World Poll is responsible for the worldwide study on subjective wellbeing (SWB, or “happiness”), which main indicator is the Cantril Ladder, based on the following question: “Please, imagine a ladder with steps numbered from zero at the bottom to 10 at the top. The top of the ladder represents the best possible life for you, and the

bottom of the ladder represents the worst possible life for you. On which step of the ladder would you say you personally feel you stand at this time?” (Helliwell et al., 2024, p. 67).

Countries’ economic growth was juxtaposed with their average reported subjective wellbeing by applying simple OLS regressions: for the whole sample and for the separate regions. In Figure 1, for each of the studied regions, predicted values from the linear regression were computed; a line with a negative slope indicates that economic growth is associated with declining SWB. Columns 6 and 7 in Table 1 list Pearson’s correlation coefficients and their significance levels. As evident, only three regional values are statistically significant; for the insignificant values, a lack of explicit statistical association is assumed. Next, Table 2 tests the hypothesis that the relationship between SWB and economic growth is explicitly income-specific; the listed coefficients, standard errors, and R<sup>2</sup> values represent simple OLS regressions.

A scatterplot graph juxtaposing countries’ average life expectancy at birth with the GNI values was used in the Discussion section to explain the varying link between economic growth and SWB. The Human Development Index of the United Nations provided the data on countries’ life expectancy at birth for 2023. The curve that represents this non-linear association fits a fractional polynomial model.

### 3. Results

Table 1 presents the correlation between economic growth and subjective wellbeing, which is significant and positive though weak for the entire sample. Yet, within the regions, this relationship varies considerably. The correlation between growth and happiness turns moderate and negative for the Western World countries, and positive for Asia and Latin America (in the latter case, the association is valid only at the 10% level, and should be interpreted with caution). For the other three regions, no valid correlation between economic growth and subjective wellbeing was established, which might be due to the smaller and heterogeneous samples.

**Table 1. Growth and wellbeing: descriptive statistics and correlation coefficients**

Region	Cases	GNIpc Intl. Dollars	GDPpc growth, %	Ladder	Life expectancy, years	Pearson's R	Sig.
Whole sample	134	13533	9.84	5.26	73.61	0.2209	0.0103
MENA	11	8605	5.91	4.83	75.64	0.2314	0.4935
Sub-Saharan Africa	34	1694	4.01	4.36	62.39	-0.1822	0.3025
Latin America	18	9589	3.86	6.25	75.94	0.4055	0.0950
Western World	36	57441	4.91	6.69	80.92	-0.5108	0.0150
Asia	19	8043	13.67	5.05	74.32	0.5748	0.0100
Eurasia	16	10267	9.57	5.53	74.25	0.0856	0.7526

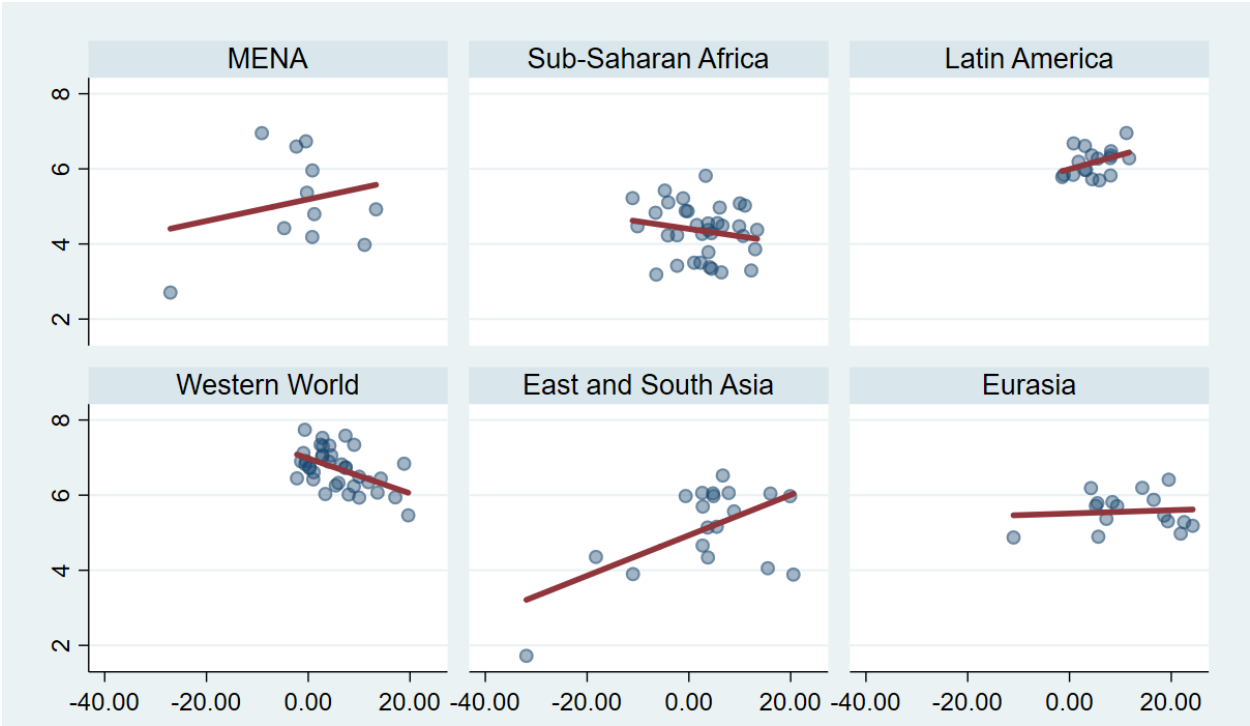
Source: The World Bank 2024; The World Happiness Report 2024; UN Human Development Index 2024; Author’s estimations. Note: the values in columns 2–6 are weighted with the countries’ population numbers

Figure 1 provides visualization of the association of wellbeing and growth across the world's regions. Again, one might discern here three distinct cases: economic growth affects wellbeing positively (Asia and Latin America); economic growth affects wellbeing negatively (the Western World); and there is no definite link between wellbeing and growth (the Middle East, Africa, Eurasia).

Results presented in Figure 1 and Columns 6 and 7 of Table 1 are counterintuitive – from the perspective that holds growth's net contribution to wellbeing as always positive. Here we have opposing evidence for the wealthiest region in the world. Sedlarski (2025) provides a comprehensive explanation for the declining subjective wellbeing in developed countries, putting forward factors like self-exploitation, urban demographic pressure, the collapse of shared narratives, and others.

One might raise the issue that “happiness” is geographically and culturally determined and entirely detached from the socioeconomic determinants included in the statistical model here. To test this possibility, three groups of countries according to their per capita GNI have been additionally constructed. Table 2 shows the results of the OLS regressions.

**Figure 1. Wellbeing and rates of economic growth: scatterplots and fitted values**



Source: Author's estimations

**Table 2. Association of economic growth and subjective wellbeing within three income groups**

Group	GNI per capita, intl. dollars	Ladder, mean	Coefficient	S.E.	Prob > F	Adj R-squared
High-income	16660 – 102910	6.68	-0.0291	0.0126	0.0261	0.0913
Middle-income	3840 – 15800	5.53	0.0320	0.0123	0.013	0.1152
Low-income	380 – 3760	4.46	0.0319	0.013	0.018	0.1027

Source: Author's estimations. Note: the three coefficients are significant at the 5% level

One sees here a typical case of the Easterlin Paradox: the wealthier group of countries reveals higher subjective wellbeing; still, economic growth does not contribute to further increases in wellbeing of the rich, and even erodes their “happiness”. It has to be underlined that the studied associations are weak, with low coefficients of determination ( $R^2$ ); therefore, one might not infer causal links but rather broader and often tacit influences.

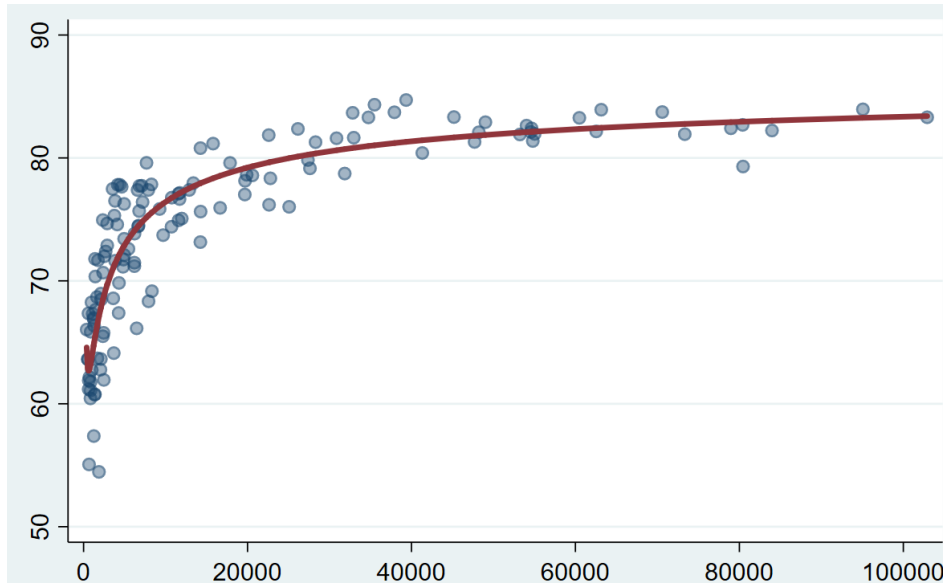
#### 4. Discussion

Still in the 1960s, leading economists emphasized that economic growth is not costless; growth is associated with a variety of tangible and psychological expenses for the individual and society (Offer, 2006). Yet the dominant notion – up to these days – is that the benefits of growth “always” outweigh its costs. Nevertheless, except for some individualistic attitudes that border on pathology, to paraphrase Keynes, the objective benefits of additional wealth are not endless. This argument becomes clear in Figure 2, which juxtaposes the countries’ average life expectancy at birth with their per capita GNI. The life expectancy is a loose but still informative indicator of wellbeing. The evidence shows a very pronounced factor effect of wealth, but only up to a certain level. There is a threshold of roughly 20,000 international dollars (with a 2023 ppp value) per capita, after which the slope of the curve that depicts the statistical association of wealth and life expectancy flattens. This is a well-studied pattern, which indicates that not only subjective but also “objective” wellbeing does not grow *ad infinitum* in parallel with wealth (Vollrath, 2020).

The everyday fact of decreasing marginal utility of wealth contradicts the attitudes on the stock markets and the general culture of consumption, which are major pillars of global capitalism. Growth has turned into a system-wide necessity thanks to the hegemonic financial sector and the drive to secure investment returns. Yet the negative link between growth and subjective wellbeing in the wealthier countries acknowledges that on some subliminal, tacit level, the additional unit of wealth weighs less than the costs of growth to achieve it (Layard, 2006, p. 171).

The two regions with a positive link between growth and wellbeing (Asia and Latin America) have similar values of the mean per capita GNI. It might be implied that most of the countries in these emerging markets have already achieved a certain level of economic and institutional development, although still lagging behind the wealthiest parts of the world. In their case, surplus output directly contributes to the betterment of the quality of life. For these emerging economies, growth turned into a mechanism for sharing wealth among wider groups, which is a positively perceived trait.

**Figure 2. Relationship between life expectancy at birth and GNI per capita in 2023**



*Source: Human Development Index 2024; The World Bank 2024; Author's estimations*

For the Sub-Saharan countries, the mean GNI of less than 1700 dollars indicates deep structural challenges. Growth is slow and of the extensive type, heavily relying on the extractive sector. It provokes the loss of traditional livelihoods and the destruction of organic social safety nets, without bringing the blessings of the surplus output. These failed states do not possess mechanisms and institutions that guarantee the broad sharing of growth's benefits. The same is the hypothesis regarding the Eurasian region, although it has a considerably higher per capita GNI: institutional deficiency within command-style economies, often based on resource extraction, does not translate the surplus production into a higher quality of everyday life. Last, the heterogeneous MENA region combines wealthy oil-exporting countries and nations on the subsistence level; growth in this region has different foundations and it is impossible to infer a common tendency.

This research found the presence of a typical Easterlin Paradox (see Easterlin, O'Connor, 2020): the wealthier countries are also happier, yet the road to wealth does not necessarily bring happiness. The reasons for this phenomenon on a national level might be subsumed into two broad groups: a) the existence of marginal costs of growth, which are juxtaposed – explicitly or tacitly – with the marginal benefits of growth; b) the lack of institutions for broader sharing of the surplus output.

## **5. Conclusion**

This research identified three separate patterns depicting the relationship between economic growth and subjective wellbeing. The typical textbook model posits that GDP growth directly contributes to greater happiness; such an association does exist, but mainly for the emerging economies (Asia and Latin America). For countries at a very low socioeconomic stage (Sub-Saharan Africa), the link between growth and wellbeing is problematic, since resource-led growth

destroys traditional livelihoods, and there exist no institutions for broader sharing of the surplus output. The same observation holds for the Eurasian economies, who lack sophisticated economic structures; their growth is driven by extractive industries, and the results stay in the hands of a few multinational or state-controlled corporations. Finally, the pattern for the wealthier countries (the Western World) is that economic growth is statistically associated with lower subjective wellbeing.

The existence of these three distinct patterns throws doubt on the mainstream approach for using GDP growth maximization as a universal prescription in development policies. Maximization of GDP growth is pointless, from a developmental perspective, when there is a lack of institutions for equitable distribution. Regarding wealthier countries, the amount of growth necessitated by security needs and by the runaway financial sector already imposes negative social and psychological costs. Instead of squeezing out further gross growth from the wealthy world, a redirection of investment flows toward the Global South would contribute to a more equitable distribution of the benefits of globalization, as well as to a new structural development for the Global North, turning greater emphasis on the immaterial determinants of subjective wellbeing.

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