

# Tma05 – connections between economic growth, wealth, health and happiness



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## THE CONNECTIONS BETWEEN ECONOMIC GROWTH, WEALTH, HEALTH AND HAPPINESS

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**Introduction** This report sets out to examine the affect of economic growth on the wealth, health and happiness of global economies, local economies, households and as individuals. Mainly concentrating on the UK economy but looking at examples from the global economy.

### 3. The Economics of an Economy

The economy is an intrinsic part of everyday life.

A virtual marketplace used for managing and controlling the manufacture of tangible and intangible items such as financial and insurance services from a variety of sources and then the distribution, trade and utilisation of those commodities. An economy can be affected on a ??? microeconomic level ??? individual households, national and regional areas, companies, competition and monopolies which affect supply and demand but also ??? a macroeconomic level – by the country??™s government looking at such issues as taxation, interest rates and inflation. For example, in the UK we pay taxes in order that we then receive access to services such as healthcare, emergency services and education.

### 4. Synopsis of the UK Economy

The UK is amongst the most advanced countries in the world. Its economy is made up of a number of national and regional economies: Northern Ireland, Scotland, Wales, South East and South West, London, East, East and West Midlands, Yorkshire & Humberside and the North East and North West.

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Gross value added (GVA) is used to calculate production for each national economy. In the International Monetary Fund's 2010 list of those countries with the highest GDP (Gross Domestic Product), the UK ranked sixth. GDP is the country's year-end total market value of all goods and services produced. [pic] Source: International Monetary Fund 2010 "Top Ten Largest Economies Based on GDP (millions US\$)" The UK economy is becoming more and more open to international trade both in goods and in services, this is referred to as an open economy. The UK has also become more involved in the global financial market and foreign direct investment (FDI); allowing international businesses to invest in UK businesses and become a subsidiary, which is seen as movement towards economic globalisation.

### 5. The Links Between Economic Growth and Wealth

In the UK, the average income and GDP per head has more than doubled since the 1960's (ONS, 2008, p. 62) cited in Fribbance, 2009, p.

13 & p. 45). In turn individuals are able to fund a better standard of living however data shows that this wealth is not spread equally either regionally or individually.

[pic] The highest GVA is shown in London at ? 22, 204 per head Wales depicts the lowest GVA per head at ? 13, 292 The average UK GVA per head is ? 16, 802. (ONS, 2006, cited in Fribbance, 2009, p. 27) The inequality of distribution of wealth is negative however, the drive to achieve wealth is a positive thing. The aspiration to acquire future wealth inspires ambition which fuels economic activity which in turn fuels the economy . People are concerned about their relative income and not simply about its

absolute level. They want to keep up with the Joneses or if possible to outdo them.??? (Richard Layard 2005a, p. 45)6.

Wealthy to be HealthyThe below graphs show a direct correlation between a country's gross national income (GNI) per head and life expectancy and infant mortality rates. It is clear from the data that in the top seven developed countries where GNI is significantly higher that life expectancy is higher and infant mortality rates significantly lower. With an average GNI of \$34, 817, an average life expectancy of 79. 77 and an infant mortality rate of 4. 57 deaths per 1000 births. The lowest seven countries depicted have an average GNI of \$5, 205 correlating from this, life expectancy is 63. 48 and a shocking infant mortality rate of 51. 80 deaths per 1000 births.

There can be no debate. There is a clear connection between economic growth and health. More funding and investment buys more research and development, more equipment, more specialists, hospitals and medicine.

Top 7 Countries with highest GNI[pic]Bottom 7 Countries with lowest GNI[pic]Top 7 Countries with highest GNI[pic]Bottom 7 Countries with lowest GNI [pic]Economic Growth -v- EnvironmentThe environment we live in has a direct effect on our health so why would we want to pollute it further and yet the phrase ??? trade-off??? (QUOTE P. 30) is frequently applied when weighing the balance between economic growth and the impact on the environment. Over the last 30 years, the UK has made a move away from an economy based mainly in industrial manufacturing and has moved more towards the trade of services. The ultimate aim is for developed economies

such as the UK to make steps towards becoming a ??? weightless economy??? (QUOTE p.

31). A ??? weightless economy??? is a term coined to describe an economy based purely on intangible services such as communication technology, financial services, education etc.. However, is it possible to ever have such a thing The direct pollution link may decrease but indirect pollution will increase when the items that were once manufactured locally are now being sourced elsewhere from places such as China and thus the export of these goods will be causing an increase in carbon emissions. (BBC Online, 2007 QUOTE)HappinessHappiness is subjective and difficult to define and yet governments are increasingly seeing merit in trying to increase it, rather than simply concentrating on economic growth. It certainly seems from statistical studies that economic growth relates to increases in welfare but better welfare does not necessarily equate to happiness. Quality of life is improved but not necessarily ones emotional wellbeing.

The British economist Richard Layard argues that ??? GDP is a hopeless measure of welfare??? (Layard, 2003, p. 3 ((Fribbance, 2009, p. 46) and that ??? to understand how the economy actually affects our well-being, we have to use psychology as well as economics??? (Layard, 2003, p. 3 Fribbance 2009 p. 46). Increasingly there are new ways being devised of how to measure a country??™s happiness.

The Happy Planet Index (an index created by Friends of the Earth and NEF) is based on three aspects: ??? Life expectancy ??? Wellbeing ??? And a country??™s ??? environmental footprint??? (Fribbance p. 43). The UK comes

in low at 108th mainly due to its ??? environmental footprint???. There are positive connections between economic growth and happiness: ??? employment ??” giving a sense of purpose and human interaction; ??? increase in income ??” ability to live more comfortably, afford luxury items; ??? better healthcare; ??? and a cleaner environment. However, Richard Layard disputes that economic growth has any affect on peoples??™ happiness and can in fact have the opposite affect for reasons such as: ??? stresses of working in a competitive environment; ??? any increase in income becoming easily adapted to with ever increasing expenditure; ??? ??? status anxiety???” (Layard, 2003, p. 3).

Conclusion Economic growth is of paramount importance to governments and the global economy and yet is a means to an ends and does not guarantee happiness and wellbeing to all. In this time of economic crisis it is time to evaluate. To look at ways of economic measuring which depicts a wider picture. If the conclusion is that economic growth has little affect on happiness and wellbeing perhaps there needs to be policy change.(1241 words)BIBLIOGRAPHY (Carter & Jordan, 2009) (Fribbance, 2009) (Pryke, 2009) Carter, S & Jordan, T (2009) Living with Risk and a Risky World. In Bromley, S, Clarke, J, Hinchcliff, S, & Taylor, S (Eds), Exploring Social Lives. Open University, Milton Keynes.

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(Eds), Exploring Social Lives. Open University, Milton Keynes. The audio reference given in the Assignment Booklet is wrong.

This is correct: (Open University, 2009) Open University (2009) Economic Wealth and Happiness. Exploring Social Lives, CD1, . Open University, Milton Keynes.