

**Wellbeing Economics: How and Why Economics Needs to Change: By Nicky Pouw,
Amsterdam: Amsterdam University Press, 2020, 171pp., €19,99 (paperback), ISBN
9789463723855**

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Wellbeing (or at least, the material basis for achieving wellbeing) is closely intertwined with economics. Thus, Alfred Marshall (1920, p. 1) defines economics as ‘a study of mankind in the ordinary business of life’ focused on the ‘attainment’ and ‘the use of the material requisites of wellbeing.’ This more substantive (and once influential) orientation was subsequently replaced by Lionel Robbins’ (1932, p. 15) definition of economics as ‘the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.’ The latter definition has been widely adopted in mainstream economics, which became increasingly formalistic and disconnected from substantive reality in general, and wellbeing in particular.

Nicky Pouw’s *Wellbeing Economics: How and Why Economics Needs to Change* is a welcome challenge to mainstream economics. The book starts with an excellent foreword by Allister McGregor, noting the centrality of the discipline of economics for human wellbeing, and the need to reshape economics – moving beyond the orthodoxy of modern economics – so as to address adequately social and human problems.

The book contains 10 chapters. After the Introduction (chapter 1), chapter 2, titled ‘Economics (really) needs to change’, outlines key problems afflicting contemporary economics. Chapter 3, titled ‘A focus on wellbeing’, advances the conception of

wellbeing defended throughout the book, while chapter 4, titled ‘What is economics?’, provides a framework for reshaping economics. Chapter 5, titled ‘The Wellbeing Economics Matrix (WEM)’, returns to the discussion found in chapter 3 on wellbeing, while advancing a conceptual framework (the WEM). The implications of the WEM are then drawn, first in chapter 6, titled ‘Implications for Methodology’, while addressing subsequently more specific topics, such as: (a) inequality in chapter 7, titled ‘A focus on inequality’; and (b) sustainability in chapter 8, titled ‘A sustainable economy’. Various ways of combining the WEM together with contributions of others are suggested. Pouw also discusses indicators, which are further elaborated in chapter 9, titled ‘New Indicators’, before finishing in chapter 10, titled ‘Looking ahead’.

Chapters 3 and 4 contain the outline of two research programmes, one on evaluating wellbeing (chapter 3), and another one on reshaping economics (chapter 4). Each programme would require a book in itself, and the book prioritises analysis of wellbeing. Still, both research programmes remain intertwined, as the concepts used in evaluating wellbeing are connected to discussions taking place in economics.

The emphasis on analysing wellbeing is expressed in the following terms: ‘Instead of focusing on how to maximize economic growth, in this book, I argue that economics should focus on optimizing wellbeing’ (p. 19). Here, an alarm bell may sound for those accustomed to the usual discussions on optimisation in economics. For it is not clear whether a broader conception of wellbeing fits within a framework mainly concerned with “optimization”, at least as usually defined in mainstream economics (Sen 1997). Even the idea that human beings ‘optimise’ seems to bring us closer to the orthodox view of economics, rather than to the broader view the book aims at.

Nevertheless, the behavioural foundations for the project go well beyond what is usually understood as “optimisation” in the economics literature. The break with orthodox

economics becomes clearer in chapter 4, which draws upon Tony Lawson's (1997) work to introduce what the author calls (in page 57) 'five axioms for a new Economics of Wellbeing', according to which 'the economy is: (i) an institutionalized process; (ii) an open system; (iii) structured and layered in accordance with temporary principles; (iv) connected by internal relations; (v) subject to emergent changes.' The methodological framework outlined above provides the basis for a very interesting research programme, which would require more methodological and ontological elaboration of the basic axioms set forth.

A critique of mainstream economics is presupposed also in the evaluation of wellbeing advanced in the book. Pouw contrasts the use of the term "welfare" in mainstream economics (which typically means overall utility) with her use of the term "wellbeing", which includes three dimensions (elaborated in earlier work with Allister McGregor): (i) material wellbeing; (ii) relational wellbeing; and (iii) subjective wellbeing. The book's central contribution is the analysis of the interactions of those three dimensions, which may lead to positive, negative and neutral interactions.

Despite the interesting and thought-provoking analysis presented in the book, the reader may feel some doubts regarding some aspects of it, such as the measurement of the interactions between material, relational and subjective wellbeing, and the aggregation of individual wellbeing into collective wellbeing, so as to reach what Pouw terms 'optimal wellbeing'. The answer to those questions depends, again, on how we interpret the notion of "optimization", which has been used in the economics literature in a different way than the one perhaps intended in the book (Sen, 1997).

Since most of the book focuses on analysing wellbeing, the book's discussion of reshaping economics remains in embryonic form. However, the initial discussions regarding reshaping economics, like the analysis of wellbeing presented in the book,

point in a very fruitful direction. A particularly important quality of this book is its ability to reunite different contributions and weave them together into an interesting path towards a (much needed) change in economics. It constitutes a refreshing and insightful reading for all those interested in a new form of doing economics, who will certainly find very important elements for such a project in this book.

References

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