

Understanding Economics in the Context of Prosperity

Concept

Habtamu Girma Demieessie

Assistant Professor at Jigjiga University, Department of Economics, Ethiopia.

Email: ruhe215@gmail.com

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Abstract

Conventional understanding on the purpose of the economy and/or the essence of economic science is dealing with the decision making behavior of economic agents in a way for optimal allocation of scarce resources in production, consumption and exchange of economic goods & services activities. And, the four economic resources are land, labor, capital and entrepreneurship. On the other hand, the term economy, in its conception with prosperity, is quite different. For one, in the context of prosperity, there are seven (7) types of economic resources. These are: *Money, Food, Clothing, Recreation, Rest, Time* and *Energy*. Moreover, the focus of economy in prosperity is not limited to material satisfaction, but also spiritual acquisition. Therefore, the economics of prosperity entails maximizing wellness of people (communities) through optimal allocation on those mentioned seven (7) dimensions of resources, which can be categorized as material and non-material by their virtues. More importantly, the essence of economics in the context of prosperity is setting standards and/or principles on how people can manage a balanced life, where their material and spiritual needs are better served. This paper tries to characterize ideals of prosperity concept with fundamentals of economic science.

Keywords: prosperity, wellbeing, happiness, Ethiopia

1. What Is Prosperity?

Random House dictionary defines the term prosperity as the flourishing, thriving, good fortune and successful social status¹. Prosperity is such a sophisticated concept that it can be said of a combined acquisition of all the essentials & characters of an elated life: *moral height, ethical standards, purpose (goal) in life, material acquisition, political stability, social cohesion & harmony, community & cultural vitality, faithfulness in practicing religions*, among others. Prosperity concept is a comprehensive look into human nurtures, both material and spiritual (non-material) fulfillments.

More often than not, prosperity is understood synonymous with wellbeing. In the economics literature, theoretical and empirical evidences on the essence of prosperity are embedded in wellbeing studies. Wellbeing is defined as when people simultaneously experience two states of emotions: the absence of the crippling elements of the human experience – depression, anxiety, anger, fear – and the presence of enabling ones – positive emotions, meaning healthy relationships, environmental mastery, engagement, and self-actualization (Seligman & Csikszentmihalyi, 2000; Seligman, 2011). Extensions to this work have focused on issues of trust within individual/community networks and on the importance of material and spiritual (emotional) capital for people.

All in all, prosperity and wellbeing are inalienable concepts for many reasons. For one, both entails on quality of life (see World Health Organization Quality of Life Group, 1995 and Diener, 2006). Moreover, as in the case of wellbeing, prosperity is determined by material and non-material factors.

2. The Essence of Prosperity Concept

For long, economic literature has taken for granted material fulfillments analogous to prosperity (wellbeing). However, the practical realities were in contrast to those assertions. In the major capitalist societies of the world, lust for material glory, featured by overconsumption has been a growing phenomenon while happiness level unable to keep track of material acquisition. Overconsumption means consumption level which is justified neither by biological nor by socio-economic considerations (Jackson T., 2008).

In the long term, a significant effect of overconsumption is quality of life deterioration confirmed by wellbeing paradox observed in industrialized countries. This paradox is known as *Easterlin paradox*, named after Richard Easterlin, who discovered the fact in his seminal work published in 1974 which is titled '*Does economic growth improve the human lot? Some empirical evidence from Nations and households in economic growth*' The then Professor of economics at University of Pennsylvania, Richard Easterlin discovered that at a point in time happiness varies directly with income both among and within nations, but over time

¹ "Definition of Prosperity", Random House, Inc. 09 & Webster's Revised Unabridged Dictionary. February 2009.

happiness does not trend upwards as income continues to grow.

According to *Esterlin Paradox* the sense of happiness doesn't rise proportionally to the increase in income. It results from the fact that beyond a certain level of welfare the further income growth generates additional nonmaterial costs like overwork, stress, permanent hurry, and lack of time to rest and to cultivate family and social relations. When an individual accepts current deficiency of life satisfaction trying to secure their own future and expecting to be happy in retirement thanks to their current sacrifice the "*Deferred Happiness Syndrome*" occurs

Generally speaking, the essence of prosperity lies in three:

The first one is that the very reality that material wealth alone doesn't justify wellness of people. Second, conventional understandings of civilization, often synonymous with material accumulation endangered sustainable society as it violates the rule of nature and harm the moral foundations of societies. Third, the past course of human action disturbed the ecological balance, risking the world of calamities of climate change.

3. Understanding Economy & Economics in the Context of Prosperity

A conventional understanding on the essence of economy entails any activity (production, consumption and exchange) involved in a monetized transaction. On the other hand, the term economy, in its conception with prosperity, is quite different. For one, the focus of economy in prosperity is not limited to material satisfaction, but also spiritual acquisition. More importantly, an economic character involves how people manage a balanced life, where their material and spiritual needs are better served.

According to James Allen (1962), in the context of prosperity, there are seven (7) types of economic resources. These are: *Money, Food, Clothing, Recreation, Rest, Time* and *Energy*. Therefore, the economics of prosperity entails maximizing wellness of people (communities) through optimal allocation on those mentioned seven (7) dimensions of resources, which can be categorized as material and non-material by their virtues.

The end up of optimization is to achieve a *mental economy* - a state of mind economic agents can focus or concentrate on meaningful activities. Accordingly, once economic agents are in such state of mind, they are able to develop the three ingredients of success in material life: free mind, vision, spiritual strength or courage (industriousness). As such, prosperous people are those whose value balancing their material and spiritual needs.

4. The Material aspects of Prosperity

The material aspect of prosperity include people's access to quality services on basic socio-economic amenities like housing, education and health (Diener, 2006; Camfield and Skevington 2008). Material prosperity entails existence of equal opportunity and freedom of choice to enjoy from the available opportunities in the economy. An ideal economic

environment which promotes collective prosperity is one which devises the necessary institutional, legal and bureaucratic system that encourages & incentivize economic agents unleash their full potentials, engage in innovative activities and help them make use of it for the benefit of the society.

The distinguishing feature of a prosperity-led system of economic governance is that it envisions a *balanced economic order*. In the context of prosperity, *balanced order* is a guiding principle in theorizing (teachings) and practicing economic science (devising development policy).

The foundation of this principle is the essential virtues of prosperity concept itself, that can be understood in both dimensions of an ideal economic system, which are *behavioral* (decision makings of economic agents) and *structural* (institutional) aspects of the economic environment.

The need for a balanced look in economic life also necessitated by the need to be pragmatic/realistic in devising economic policies and strategies, which is manifested by development policy that integrates economic theory with prevailing context in the economic environment

More specifically, the underlying issues triggering a balanced economic order stem from the goals & objectives of macroeconomic governance in the context of prosperity, which is realizing sustainable economy & society, as enlisted below:

- Serve the needs of man by virtue of its being a human
- The need to serve the basic necessities of all people irrespective of segmentations based on social class or any form of affiliations
- The need to promote economic fairness while preserving economic productivity
- Interconnectedness (system) of the economic structure
- Promoting a sustainable society which values sustainable consumption
- Help unleash the potentials of factors of production: labor, capital, land and entrepreneurship
- Promoting the innovative/creativity capacity of labor/human capital
- Promoting a vibrant/dynamic economic order rooted on the values of entrepreneurial skills and creativity of human mind

Keeping the right/appropriate balance in the economy may take different aspects of the economic order:

- Across economic activities - *production, consumption and exchange*
- Across sectors of the economy - *agriculture, trade, industry and financial sectors*
- Across ownership status of means of productions like land and capital - *private sector and public sector*

The behavior of economic agents should also adhere to principle of moderation. The pillar point in this regard is molding the behaviors of economic agents in such a way that they would take into account of (being middle way) alternatives while making decisions in their economic transactions, which consists the followings:

- Current consumption vs future consumption (saving);
- Work time vs leisure time
- Self-interest vs altruistic motives;
- Physical exertion vs mental exertions
- Material satisfaction vs spiritual (non-material) fulfillments

All in all, prosperity-led economic governance is principally designed to device the legal, institutional, policy and/or incentive system that promote decent economic standards of citizens; realize a just economic system; realize sustainable economy encouraging ecologically friendly production & consumption order.

5. Non-Material Aspects of Prosperity

Some of the non-material aspects of prosperity can be ascribed (by their nature) as psychological, sociological, anthropological and political.

From psychological perspective of prosperity, referring recent developments in positive psychology, well-being of people is understood from two perspectives: hedonic wellbeing (feeling good), but also includes eudemonic wellbeing (functioning well). Hence, Wellbeing is now understood not simply as positive emotions, but, rather, as thriving across multiple domains of life (Easterlin (1974; 1995; 2013)

From sociological point of view, prosperity is defined as the bounty of social harmony. Accordingly, a less prosperous society is characterized by one where people are at risk of deprivation of, not only, material well-being, but also deprived of their social status and unable to fetch out of socio-cultural institutions. A sociological narrative of prosperity focuses on the workings of those institutions and how far people access them to serve their life in many ways.

As such, social relations among family members, friends, and neighbors are important aspects of prosperity. Moreover, socio-demographic, economic, cultural, and political factors are worth considering while conceptualizing wellbeing of people

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