Why Happiness Matters?

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What is happiness?

Dictionary Definition:

• The state of being happy
• An experience that makes us happy
• A state of well-being and contentment
Imagine a World Where all People were Happy
Most of the time

Happy wife
Happy husband
Happy parents
Happy children
Happy neighbor
Happy employees
Happy boss
Happy people’s network
Happy dream
Benefits of Happiness

- More friends
- Better and longer marriages
- Social capital: Trust and volunteering
- Higher supervisor ratings at work
- Organizational citizenship behaviors (Dennis Organ)
- Health (heart disease, stroke, diabetes, depression, )

Source: Ed Diener, (Dr. Happiness), Happiness Accounts for Policy Use, 2007
Traditional measures of progress?

GDP
Income
Employment
Wages and salaries
Etc.
Why do economists care about happiness?

Measures of subjective well-being provide an alternative yardstick of progress.

Better understand what factors contribute to subjective wellbeing.

Policy evaluation and cost-benefit analysis (valuing non-market goods).

Identifying potential policy problems (example: job satisfaction).
# How to measure happiness?

Edward Eiener also called Dr. Happiness development satisfaction with life scale:

<table>
<thead>
<tr>
<th>Not at all true</th>
<th>Moderately true</th>
<th>Absolutely true</th>
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1. In most ways my life is close to my ideal.
2. The conditions of my life are excellent.
3. I am satisfied with my life
4. So far I have gotten the important things I want in life.
5. If I could live my life over, I would change almost nothing.
Gallup’s Wellbeing Survey Question

Please imagine a ladder with steps numbered from 0 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?
UK survey questions

• Using this card on which 1 means you are “completely dissatisfied” and 10 means you are “completely satisfied” where would you put your satisfaction with life as a whole?

Overall, how satisfied are you with your life nowadays?

• Overall, how happy did you feel yesterday?

• Overall, how anxious did you feel yesterday?

• Overall, to what extent do you feel the things you do in your life are worthwhile?
Latest estimates of what makes countries happy

Social spending as a % of GDP*
Unemployment insurance generosity
Clean air (eg. SOx emissions)
Unemployment and inflation
Low crime and corruption
Openness to trade

*Ben Radcliff measure, OECD
Why it is hard to measure happiness?
• It is very subjective
  • Beauty is in the eyes of beholder
• Long-term vs. short term happiness
• Hedonic adaptation (the law of marginal utility applies)
• Cross cultural differences in values
• Comparison with reference group

What do you prefer?
You get $60,000 and a friend gets $30,000
or
You get $100,000 and a friend gets $150,000
A Simple model of subjective well-being

Income satisfaction
Health satisfaction
Work satisfaction
Life Satisfaction

Sub-components

Income
Health
Social contact
Employment status
Personality type
Culture

Anger
Worry
Happiness
Affect (+/-)

Competence
Autonomy
Meaning and purpose
Eudaimonic well-being

Measurement concept

determinants

Source: Guidelines on Measuring Subjective Wellbeing, OECD-2013
Modeling Happiness

Well-being = f(Age, gender, education level, income, marital status, friendship networks, region, year...)
Can Money Buy Happiness?

Life Satisfaction and Per Capita GDP Around the World

- Size of circle illustrates population.
Can Money Buy Happiness?

United States: Life Happiness vs. Real GDP Per Capita

Reported Happiness (scale of 1-3) vs. Real GDP per capita (2005 dollars)

Reported life happiness (scale of 1-3) vs. GDP per capita (2005 dollars)

[Graph showing trends over time]
If the life satisfaction is not there, even a kingdom of wealth has no meaning.

- The Great Poet Devkota
World Happiness Map

http://www.worldlifeexpectancy.com/world-happiness-map
Age and Happiness
The U-bend of life:
People get happier as they get older

Ukrainian: 62
Swiss: 35
Global average: 46

Source: the Economist
The U-bend
Self-reported well-being, on a scale of 1-10

Age, years
18-21  26-29  34-37  42-46  50-53  58-61  66-69  74-77  82-85

Good News:
We are in golden age:
• Basic necessities (food, shelter, clothing, medical care, education, etc.)
• Science (Physical science, social science, spiritual science)
• Technology (transportation, communication)
• Peace and democracy
• Sense of control over our lives
What do we need to be happy?

A table, a chair, a bowl of fruit and a violin; what else does a man need to be happy?'

-Einstein
If you want to be happy:

1. **Express gratitude** (David Steindl-Rast)
2. **Cultivate optimism** (Increased life span, Lower rates of depression, Lower levels of distress, Greater resistance to the common cold, Better psychological and physical well-being, Reduced risk of death from cardiovascular disease, Better coping skills during hardships and times of stress: *source Mayo Clinic*
3. Avoid over-thinking and social comparison
4. Practice act of kindness
5. Nurture social relationships
6. Learn to forgive
7. **Increase flow experiences** (Mihaly Csikszentmihalyi)
8. Get out and enjoy nature
9. **Stay in the moment** (Buddha, Matt Killingsworth)
My confession: I am an economist

An "economist" is someone who knows 100 ways to make love, but doesn't know any women/men.
What is happiness?

Happiness cannot be traveled to, owned, earned, worn or consumed. Happiness is the spiritual experience of living every minute with love, grace, and gratitude.

-Denis Waitley
The End