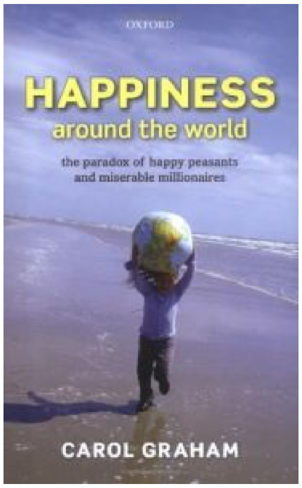


# Book Happiness around the world

## The paradox of happy peasants and miserable millionaires

Carol Graham
Oxford UP, 2010
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## Recommendation

Money can't buy happiness, or so your parents used to say. But if money doesn't make you joyful, what does? In her astute, rigorously researched book, public policy scholar Carol Graham evaluates the components of happiness across countries, socioeconomic groups and cultures to tease out what "well-being" means, at least statistically speaking. Using extensive surveys in Latin America, Central Asia and Afghanistan, and existing data on happiness in the developed world, Graham posits that, despite varying levels of wealth, people and nations share fundamentally similar characteristics when it comes to being content. She examines how happiness measures can guide policy makers and notes the pitfalls involved. Be prepared, though, to brush up on your statistics and get reacquainted with z-scores and Gini coefficients. The book relies heavily on statistical analysis and calculations, but Graham manages to surface from the data occasionally to provide conclusions in lay language. *BooksInShort* finds her work of value to economists, psychologists, policy makers and all those who just want to get happy.

## Take-Aways

- "Happiness economics" meshes economists' analytics with the field of psychology to determine what makes people and nations happy.
- The goal is to use public policy to address factors that influence happiness.
- To measure happiness, researchers use survey questions, but the type of queries, how they are asked and order they're in can skew results.
- Generally, wealthy people and nations are happier than poor people and nations.
- But that's true only to a certain extent; after a point, more money doesn't make you happier.
- Research shows that increased earnings make you happy for only one year, while the effects of upward mobility, such as job promotions, last five years.
- Once you live above a certain subsistence level, factors such as your health, job and relationships have a greater impact on your happiness.
- For most people, health is the major determinant of happiness.
- People are least happy in their mid- to late 40s.
- French and British policy makers are investigating "national well-being accounts."

## Summary

### "Happiness Economics"

For centuries, great minds have tried to answer the question: "What makes people happy?" Today, economists are teaming up with psychologists to define and measure joy. They set out to determine if applying happiness measures to public policy and economics could improve life for people around the world. New "analytical and research tools" now enable an objective evaluation of a highly subjective topic, "the study of happiness."

> "King Midas sought happiness in gold, and, in the end, that pursuit made him miserable."

As the field of economics became increasingly analytical, it began to see earnings as a symbol for human welfare. The concept of "maximizing utility" (getting the most use from goods or services) came to depend on income measures, but money isn't always the best indicator of what people want. For example, some people choose less remunerative work that is more satisfying and feel quite content. Modern happiness economics broadens the definition of "utility." It measures social groupings, demographics, employment status, political environments, economic resources and the availability of public services to amass a comprehensive picture of what constitutes contentment in a country. These measurements facilitate global comparisons.

> "For decades, and indeed centuries, the pursuit of happiness was limited to constitutional proclamations and its study to the ephemeral texts of philosophers."

Most satisfaction happiness data comes from surveys that ask people to articulate their "expressed preferences." In contrast, classical economics relies on "revealed preferences"; that is, researchers infer people's motives based on their answers. Polls find that what people say is different from their theoretically predictable responses. This happens because ordinary citizens can't affect macro issues, like government policies, that might influence their options for achieving joy. Also, credible results may depend on survey design, the way the researchers' questions are stated, what order they're presented in and even the researcher's mood. In addition, "a naturally curmudgeonly" respondent who always replies negatively could bias the findings.

> "The economics of happiness is an approach to assessing welfare, which combines the techniques typically used by economists with those more commonly used by psychologists."

Research following the same people over time – called "panel data" – tends to alleviate the effect that personal traits have on responses. Questions about "life satisfaction" and joy yield highly correlated results. Researchers use questions about how respondents rate their lives – based on a "best possible" scenario – to compare their reactions with those of both their near neighbors and people far away. For instance, local respondents in Afghanistan express relatively high levels of personal contentment, but low levels in the category of "best-possible-life."

## Is Money the Root of Happiness?

"When income exceeds a certain threshold, it no longer brings more happiness," according to the "Easterlin paradox." Within a country, the rich are generally happier than the poor, but that's not true over time or in comparisons among countries. People in richer countries are, on average, more content than those in poorer nations, but no connection emerges between rising wealth and rising happiness, even in poorer nations. Income disparities influence contentment less in the U.S. and Europe than in Latin America, maybe because people in the developed world see income gaps as motivators for success, not as lasting, insurmountable inequities.

> "The economics of happiness does not purport to replace income-based measures of welfare but instead to complement them with broader measures of well-being."

The "hedonic treadmill" explains one facet of the Easterlin paradox: Once people have the vital necessities of life, like food and shelter, their "rising aspirations" value relative wealth, not absolute wealth. They adapt to greater incomes and compare what they have to what others have. Losses affect them more than gains. Factors other than money – health, jobs and relationships – influence their happiness levels, which return to a "set point" over time. The exception is that "life-changing episodes," such as bereavement or divorce, have a lasting impact.

> "Deprivation and abject poverty in particular are very bad for happiness."

Does wealth make you happy? How much more money could make you somewhat more happy, or a lot more? Because ambitions change, you may tend to believe that you were not as happy yesterday as you will be tomorrow – people don't account for their improved conditions when looking at the past or future. Income variations explain changes in happiness less than other aspects of life, such as health and job status. In any given nation, wealthier people experience proportionately less happiness as their money grows. Research in "transition countries," such as Eastern European nations in the 1990s, found that people derived less fulfillment from their jobs, health and families as their wealth grew, but this pattern has reversed in some countries in the intervening years. Folks in poor countries believe that happiness and money are strongly linked.

## Money Makes the World Go Round, or Does It?

Comparing rates of happiness across countries can be tricky, given cultural, economic and social differences that testing may not capture. However, while some "outliers" defy the idea that wealthier nations are happier – Nigeria is very happy; Japan, not so much – other factors, such as age, marriage and jobs, regularly show up in happiness calculations. Age has a "U-shaped relationship" with contentment; people are least happy in their mid- to late 40s. Being married makes people happier, being unemployed makes them unhappy and being healthy makes them very happy. Education, gender and type of job have varying effects on joyfulness, depending on levels of educational opportunity, gender bias and insecurities about self-employment. For instance, self-employed people are more satisfied in the U.S. and in Russia, where that's a routine option, than in Latin America, where the lack of jobs forces people to work for themselves. In America, women are happier. In Russia, men are happier. And, in Latin America, men and women are equally happy. Among these three regions, minorities are more content only in Russia, because political changes after communism gave them greater status.

> "Are wealthier people happier, or are happier people more likely to be successful and earn more income over time?"

Studies in Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan show similar determinants of happiness as in other nations, except in "social capital." Central Asians do not associate trust, religion and community with happiness, most likely due to their experiences within the former Soviet Union and their evolving political situations. Surveying residents' level of contentment in Turkmenistan was impossible "due to the complex political situation."

> "The complexity of the relationship between happiness and income – and the range of other mediating factors – seems to increase as countries go up the development ladder."

Among the citizens of transitional nations, Cubans stands out because they reputedly are "remarkably cheerful," though polling shows less joy than in other Latin American nations. Cubans in Havana and Santiago favorably cite their superior health care and educational prospects, but rank their "economic opportunity" satisfaction lower than that of other Latin Americans. While optimism is related to happiness in most regions, in Africa it is "inversely correlated" to poverty: Poorer people are more optimistic about the next generation's future. This may be because only the eternally hopeful can endure Africa's vast, endemic poverty, or because people have made a "realistic assessment that conditions are so bad they can only improve."

### Health and Happiness

Worldwide, health is the major variable that influences joy, even more than money. Contented people are healthier, and healthy people are more content. In the developed nations of the OECD (Organisation for Economic Co-operation and Development), the higher the blood pressure, the lower the happiness level, and vice versa, indicating a "virtuous happiness and health circle." Similar to the joy-to-income ratio, happiness doesn't grow beyond a certain level of healthiness.

> "In the same way that GNP allows us to track economic growth within and across countries, national well-being measures provide a complementary tool for assessing welfare trends."

Gains in hygiene and medical care have a compelling impact on health and even survival (for example, available clean water means lower infant mortality). In higher-income populations, advances in science, not income, bring bigger strides in battling the illnesses that are more common in richer nations. Income and health care satisfaction are not correlated across nations: More Kenyans (by percentage of population) than Americans are content with their health. In fact, the U.S. scores 81st among 115 nations (lower than India, Malawi and Sierra Leone) in "public confidence in the health system." Mental illness takes a greater toll on joy than physical ailments do. In the U.S. and Russia, "obese people are, on average, less happy than the non-obese." But the levels of dissatisfaction relating to weight depend on your social group and location, since norms vary widely. In the U.S., poor minorities are less worried about being heavy than rich whites. Obesity affects mental health in that overweight people are likelier to suffer depression.

### "The Happy Peasant and the Frustrated Achiever"

Up-and-comers are sadder than anyone else, including the destitute. Even when frustrated achievers move up, they view their success in comparison to others. They see their gains as insecure, because they fear reverting to their previous circumstances. In nations with rapidly accelerating economic growth, residents are more apt to feel less satisfied during growth's early phases. Rural Chinese who move to big cities exhibit greater dissatisfaction at their new situation, despite their improved material comfort, because they compare themselves to the urbanites in their new surroundings, not to the farmers they left behind.

### Happiness and Hard Times

Statistics don't yet reveal how the 2008-2009 recession affected happiness levels, but clearly the greatest impact will stem from the insecurity of bad times, as well as the downturns in people's fortunes. During the crises in Russia and Argentina in the 1990s and early 2000s, average happiness scores fell 8.7% in Russia and 10.7% in Argentina (where gross domestic product, or GDP, declined 10% in 2002). Diminishing happiness levels affect people's health, job prospects, endorsement of democracy and free markets, and future aspirations. On the positive side, studies show that contentment levels rebound once the crisis passes. Russians and Argentines are again as happy as they were before their nations' economic slumps.

### Happiness Is a Warm Ballot Box

On average, people who "live in a context of freedom" express greater satisfaction than those who do not, and freedom ranks higher in importance for those who are used to it. Confidence and the public's belief in political organizations tend to hew closely to recorded happiness levels. Involvement in democratic systems seems to raise happiness. The proof: Only Swiss nationals can vote in Switzerland, even on referendums that affect natives and non-natives. Researchers can isolate the variable factor that points to voting as a net positive for Swiss citizens. Similarly, those in free market are more satisfied, and satisfied citizens favor open markets, which augers well for emerging democracies. Yet people who live in corrupt, crime-ridden societies adjust their tolerance; they come to accept these inequities by "adapting to bad equilibrium."

### Policy and Happiness

If happy people worldwide, "from war-torn Afghanistan to new democracies like Chile and established ones like the United Kingdom," are glad for the same core reasons, what does that mean for public policy? Happiness ratings could become indicators of human advancement, much as GDP measures economies. In fact, the U.K. and France are already investigating ways to incorporate "national well-being accounts" into their policy considerations. The government of Bhutan currently computes "gross national happiness" statistics as substitutes for GDP. The idea of using happiness scores in governance faces three main obstacles:

1. The level of adaptation in human endeavor, "upward and downward," may distort perceptions: If you tolerate crime and corruption in a society rife with them, what is your incentive to fix those problems?
2. Governments must determine how to respond to the happy peasant anomaly: Should they make cheerful poor people aware of their misery, raise their income until they become sad, or just let them remain poor and cheery?
3. "Cardinality versus ordinality" in happiness surveys doesn't allow for distinctions between levels of sadness and joy, so is it better to make a blissful person happier, or a joyless individual happy?

> "Happiness levels typically recover along with economies."

Since most research suggests that happier people enjoy better health, jobs and relationships, perhaps the best policy would seek to abolish or minimize unhappiness.

## About the Author

**Carol Graham**, a Senior Fellow at the Brookings Institution and a professor at the University of Maryland, served in advisory roles at the International Money Fund.