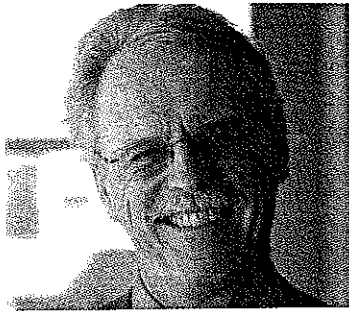


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### Happiness - Possibilities and Pitfalls

We are in the midst of a revolution. We are turning away from material things towards well-being. And I will be arguing that the way to measure well-being is happiness. Happiness is the factor we need to consider.

I would like to make two propositions.

- Firstly, although National Income and Social Indicators (including the Human Development Index) are good indicators, happiness, or life satisfaction, are much better;
- Secondly, we must be very careful not to do the wrong thing. Although government should make it possible for people to be happy they should not try to maximise happiness. For example, the European Commission should not proclaim "We are now maximising happiness." This would be disastrous.

So my first proposition is that we should move towards happiness indicators – and here I have some good news. Most people are happy. It's simply not true – as some philosophers tell us – that we live in a terrible world and should lament all the time. It is exactly the opposite. Statistically, based on very sound data, we know that most people are very happy.

Consider the following question: "*All things considered, how satisfied are you with the life you lead?*" Let me repeat the question. "*All things considered, how satisfied are you with the life you lead?*" Just think a moment of what you would answer, on a scale from 1 – totally unhappy – to 10 – totally happy.

I am quite convinced that almost nobody would say '1: very, very unhappy.' or even 2, 3, or 4. There may be some 5s, but most of you would say, 'I am something like 6, 7 or 8, and even 9 out of 10.' And I think that's a wonderful thing, so let's be content with the nice world we live in.

I asked President Barroso where he would put himself – and he agreed to let me pass on his answer. He said "8.5". Isn't that encouraging?

I can assure you that the life satisfaction indicators we have today are quite valid. When we ask people, "How satisfied are you with your life?" they don't just tell you some nonsense; they tell you what they really think. It's surprising, but it's true. They tend to tell you how satisfied with their life they really are, and this is confirmed by the fact that people who are satisfied with their life laugh more than other people. They smile, and are more sociable. Very importantly they sleep well and they are healthier than others. Happiness leads to better health, and of course the happier people are, the fewer suicides there are. So these indicators of happiness or life satisfaction are really quite good.

And I can confirm that happiness can be measured. If you had asked me seven or eight years ago "Is it possible to measure happiness?" I would have said, "Of course not! You cannot measure such a personal thing as happiness." Today I think totally differently. I think that we can measure happiness. I would claim that it is easier to measure happiness than Gross National Product. We have a lot of ways of measuring happiness – although of course we must apply them appropriately.

The most important are certainly surveys, the question I just asked you. Here the Eurobarometer, and perhaps more importantly, the World Value Survey are very prominent. Then there is Experience Sampling. This is when you are asked randomly how happy you feel just at this moment, and then this is aggregated up. Then even more scientifically one can do brain scanning. All these methods of measurement are quite reliable.

I won't go into a critique of National Income because Commissioner Almunia and State Secretary Baleiras have already talked about that. I just want to mention one thing which was not pointed out by these

two gentlemen, namely that today, roughly 50 percent of National Income – and even 60 percent in many countries – is attributed to government activity. How is government activity measured? By input, in the form of materials and work. You can immediately see that has nothing to do with welfare. So GNP is great as a business cycle indicator; it measures productive capacity but not for well-being.

But I would argue that Human Development Indices and other social indicators are not very good either. Take for instance life-expectancy. Of course it is great to live a long time, but what if your last ten or fifteen years are unhappy? Then it doesn't help to get older and older. School enrolment is often used as a Social Indicator, but of course it is not an output. We know from PISA<sup>1</sup> and other studies that there are many countries where a lot of input is made into schools, a lot of children go to school, but they don't learn much and they are not very satisfied.

Per capita income is also sometimes used as a Social Indicator. This is even worse, as I would like to show in the case of Germany. By the way, this can be done for every country I know of. I have the statistics for the United States, for Japan, for France and for many other countries.

On this graph, you see two lines:

- the green line is going up – that is the Development of Real GNP; 'real' means that you can buy more and more material goods, such as cars, houses, good food or whatever. So the material component is increasing;

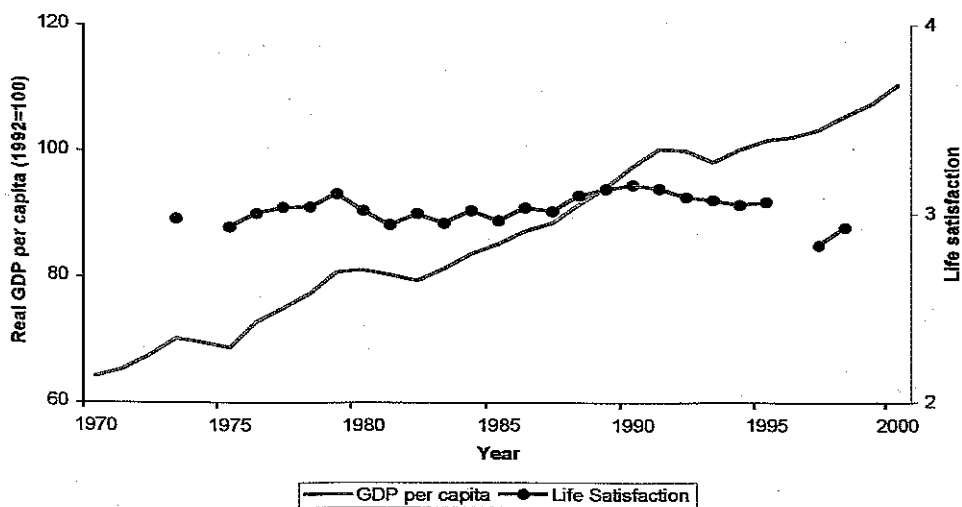
- the second one is the red line – which indicates satisfaction with life – and you see that it isn't going up, it remains constant.

So to take National Income per capita as an indicator of well-being is wrong, because you can see that they don't go together.

I would now like to consider a second point. "Assuming that we can measure happiness in a satisfactory way, what do we do with this information at the political level?"

Let me first say what I think should absolutely NOT be done. Governments should not now jump to the conclusion that "We have to maximise happiness". The EU Commission should not say, "Now we need to maximise the happiness of all European member countries." This is wrong because once the happiness indicator is seen as important it will be manipulated by governments. We have to accept this – we should not be naive. We saw that when the euro was introduced. We know that some countries manipulated their deficits considerably, and everybody knew it! This would be the case if happiness were a government goal; governments would manipulate it and respondents would no longer tell the truth.

Another reason why governments should not try to maximise happiness is that happiness is not the only thing which should matter for politics. There are other things. Things like justice, responsibility and solidarity are important too. Happiness should not be the only goal – we must remember that.



Income and Life Satisfaction in Germany, 1973 – 1999, Stutzer and Frey (2004) based on a survey on Eurobarometer

<sup>1</sup> Programme for International Student Assessment (PISA)

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What governments need to do, and this includes the EU Commission, is to make it possible for people, for individuals, to develop a life which makes them happy. I have not yet mentioned the 'environment', not because I forgot, but because I think it is perfectly obvious that the environment is so important and that a good environment enables people to be happy. I have mentioned 'education'. We know from economic happiness research that better educated people are happier, because they have more opportunities and can relate to more things. That is the great thing about education. It not only increases our human production capital but makes people more satisfied with their lives.

It may seem somewhat trivial, but economic conditions are terribly important for happiness, not so much income, but employment. Unemployment is the worst thing for happiness. People who are employed and are then thrown out of their job lose contact with society and feel useless. This is a terrible situation and makes them really unhappy.

What the government can also do is to create the right political conditions. One which I think is very important in the twenty-first century is to increase citizens' rights in terms of political participation. There is now strong econometric evidence that citizens who get involved in politics at various levels are more satisfied with their lives. I think that the European Union could move a little bit more in this direction. Everybody speaks about the "democratic deficit" of the EU and a lot of European politicians have understood that. We now have evidence from happiness research that this really is important for people's well-being. Another thing that improves public satisfaction is political decentralisation. People are more at ease with political decisions taken at the local level with which they are familiar.

So my conclusion is: Happiness is a wonderful concept and can be used to make better policies, but it should be used by governments to enable people to achieve their own personal happiness in their own way.

