

# The Economics of Happiness and India's Position

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**Abstract – As countries develop, this progress gets done and translated into higher earnings and better stand-ards of living economic thought suggest that are increased levels of income will provide higher lev-els of utility or satisfaction to the people it has been noticed however that increased amount of mon-ey does not imply greater satisfaction in fact people prefer a happy state of mind over larger in-comes while gross domestic product and national product are economic measures of well-being, countries across the world have come to except that happiness and a harmonious society are just as important. This has led to the acceptance of the new criterion the happiness index to measure how happy people of the country regard themselves to be on the united nations supports an annual world happiness report that ranks member countries accordingly this article analyzes current literature to highlight the importance of such an index and the applicability of happiness index is a measure of economic progress**

**Keywords - National Well-Being, Happiness Index, World Happiness Report, GDP, GNH**

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## INTRODUCTION

National income has been used as the generally accepted criteria for measuring success of countries, which is no doubt an improvement over ranking countries by their military might or nuclear arsenal. But many people including economists, sociologists, and psychologists, aver that money in the form of per-capita income and Gross Domestic Product (GDP) should not be the only criteria for measuring human achievements. Nowadays, countries across the globe are unanimous that fostering happiness of the citizenry is a necessary state function. There is a growing recognition that like other welfare measures, a state of happiness and harmonious society are important goals of a responsible states. Bhutan's former king, Jigme Singye Wangchuck, popularized the idea of national happiness in the 1970s, shortly after he came to power. He spearheaded the idea of national happiness promoting its measurement with development indicators and polling data (Fox 2012). This led to the development of Gross National Happiness (GNH) as a measure of happiness.

The United Nations General Assembly designated March 20 as the World Happiness Day in 2012. The Earth Institute under the leadership of Jeffrey Sachs came out with the first Happiness Report in 2012 which highlighted the important role the United Nations affixed to happiness as a state of being in. It pointed out that only material gains are not sufficient to meet the deepest human needs. Rather, the aim should be to harness these material objects to benefit humanity, alleviate the suffering of people,

achieve social justice and finally to attain happiness. Ever since, the World Happiness Report has become an annual feature ranking more than 150 countries in order of happiness as perceived by their populations. In other words, it ranks the countries by how happy the citizens perceive themselves to be.

This year, the World Happiness Report was released by the Sustainable Development Solutions Network of the United Nations. It has Finland at the top of the list for the third consecutive year, followed by Denmark and Switzerland. Countries like Zimbabwe, South Sudan and Afghanistan have been classified as the world's least happy nations. India has been ranked 144 among the 156 countries in the World Happiness. This is a drop of four places from 2019. As pointed by the India Today a leading Indian magazine, this is much lower than its neighbours — Nepal ranked at 92, Pakistan at 66, Bangladesh at 107, and Sri Lanka at 130 in the report.

This fall in ranking demands some deep soul-searching by the Indian policy-makers as well as the general population. Indians pride themselves on their festive outlook and prefer to project a loud and happy persona. The current ranking is in direct contrast to this picture. It shows that the people are not satisfied with their lives and probably have low expectations that things will improve in the foreseeable future.

Regarding the COVID-19 pandemic sweeping across the globe, the report suggests that *challenging times can actually increase happiness*. The happiness report accepts that the global pandemic is an unprecedented health crisis. Nevertheless, it finds a silver lining in past experiences, recounting that during earlier disasters like earthquakes, floods, storms, tsunamis and economic stress, people have come together to rebuild their lives, cooperating and caring for each other in numerous ways. The report goes on to say that this concerted effort results in increasing a sense of satisfaction and hence happiness in the face of disaster. The first time also ranks cities around the world by their subjective well-being and examines specifically how the social, urban and natural environments affect happiness.

## HISTORY AND DEVELOPMENT OF HAPPINESS AS AN ALTERNATIVE CRITERIA

The history of using happiness as a criterion dates back to the late eighteenth century when Englishman Jeremy Bentham, in 1781, outlined a philosophy of utility that assessed the merits of an action according to how much happiness it produced. He suggested creating a sort of happiness calculus for any action, by balancing 12 pains (physical pain, the pains of awkwardness etc.) and 14 pleasures (the pleasures of amity, the pleasures of wealth etc.). However developments in the field of economics in the 1930s and 40s led to the popularization of GDP and GNP as key indicators of economic growth.

It was only in 1964 that American economist Richard Easterlin showed that happiness and GDP did not move in the same direction, although happiness and incomes within countries were correlated. This so-called '*Easterlin paradox*' spawned much interest in the analysis of happiness and related issues. The London school of economics, recently published a report (Clark et al, 2016) suggesting that mental health has greater impact on reported life satisfaction than income.

In the 1980s, Nobel Laureate Amartya Sen presented papers which differentiated between '*commodities*' that show up in GDP and '*capabilities*' which do not. Sen used his ideas while working with a group of other economists on the Human Development Program in 1989. These economists attempted to supplement GDP with data on life expectancy and educational attainment which were readily available worldwide. The Human Development Index (HDI) was born which is currently used by the UN and other world agencies and has evolved to include various other metrics such as sustainability and income distribution (Fox, 2012). The Nobel prize winning economist, Angus Deaton and a psychologist Daniel Kahneman (2010) took the Gallup poll data for about 500,000 residents in the US to show that happiness increases with income

although there is an upper bound beyond which the income effect dissipates.

Since the 1970s, Bhutan has been using an index of Gross National Happiness (GNH) instead of GDP to measure development. The Bhutan model of happiness maximization has found many supporters. The state of Maryland in the US reports a measure called *Genuine Progress Indicator* which considers issues like inequality, health leisure and environmental degradation. Similarly in 2016, Madhya Pradesh became the first Indian state to set up a Department of Happiness (Mishra, 2017)

## MEASUREMENT OF HAPPINESS

The World Happiness Report 2012 talks about two broad kinds of happiness: *affective happiness* and *evaluative happiness*. Affective happiness captures the day to day feelings like enjoying with friends and family or the pressures felt due to daily commuting and stress at work. Evaluative happiness measures different dimensions of life which lead to overall satisfaction or frustration with one's place in society. While higher incomes, better physical and mental health and social stability contribute to high life satisfaction; negative issues like poverty, ill-health and a divided class-ridden society contribute to low life satisfaction.

Happiness is measured simply by asking people. Most surveys ask people, "*Taken all together, how would you say things are these days, would you say that you are very happy, pretty happy, or not too happy?*" Or "*How satisfied are you with your life as a whole?*" Sometimes people are asked questions on happiness and life-satisfaction and required to grade their answers on a zero-to-ten scale. A common system is to ask interviewees to suggest their position on a ladder with ten rungs, where the top rung is for the best possible life and the bottom rung denotes the worst possible life. A commonly held view is that wealth and happiness are closely related (Stevenson 2010). In fact, on a zero-to-ten life satisfaction scale, people in the poorest countries tend to place themselves somewhere around three. The middle income countries fall somewhere between five and six and in developed countries people rank themselves somewhere between seven and eight.

The Gross National Happiness (GNH) Index of Bhutan is the first of its kind in the world — A serious, thoughtful and sustained attempt to measure happiness and use those measurements to chart the course of public policy. Happiness measures currently in use across countries are: the Gallup World Poll (GWP) the World Values Survey (WVS) and the European Social Survey (ESS).

## INDIA AND THE HAPPINESS INDEX

The World Happiness lays emphasis on social, urban and natural environment while ranking countries and cities. These rankings are based on a three-year average and the report holds that there is a *lot of year-to-year consistency in the way people rate their lives in different countries* to maintain general information continuity. India has been ranked 144th in the World Happiness Report from 140th in the last report. With this downgrading, India has joined the lowest ten countries of the index. This comparatively big downfall in ranking has been attributed to a continuous fall in the life evaluation scores since 2015. A comparison of data for 2008-2012 and 2017-2019 also shows India in poor light, showing a ladder reduction of 1.216 points. This loss in average life evaluation has major implications for the country and is a worrying trend.

The GDP growth rate has been slowing over the last few years in India. According to the Economic Survey data GDP growth had been decelerating over six quarters from first quarter of 2018-19 to second quarter of Real growth of GDP had also fallen from 7% in 2017-18 to 4.5% in quarter 2 (Q2) of Clearly the falling incomes have manifest themselves in the lower happiness gradings.

The rate of unemployment in the country has been increasing. As per the Economic Survey, the percentage of out-of-work force has been increasing from 14.86% for males and 55.83% for females in 2004-05 to 25.13% for males and 76.24% for females in 2017-18. The number of unemployed has been rising along with those who are out of the labour force for reasons such as education, domestic duties and other reasons. The COVID-19 pandemic is expected to aggravate the situation even more. Given these conditions, the stress levels in the masses have increased and have generated a pessimist outlook. Clearly, the combination of social, economic and political stresses has led to a negative average life evaluation by the people.

Just as a fall in incomes and slowing economy get reflected in lower GDP values, a fall in the life evaluation by citizens is reflective of the people's perception of future prospects. An increase in GDP and personal income means that people can buy various items to satisfy their wants and fulfil their needs. This will make them happy and optimistic. The Indian Economy has slowly been moving towards slowdown and this is reflected in the general pessimism and low happiness ratings.

## CONTENTIONS AGAINST HAPPINESS INDEX

Many economists are sceptical of the entire business of measuring happiness objectively because of the problems associated with such measures. Economists are sceptical of the currently used self-

reported happiness surveys as they are highly subjective. Further, personal traits and social norms may prevent people from being openly accepting about their state of happiness or unhappiness. This makes the measurements unreliable. Also it is difficult to make cross-country comparisons. Apart from the inconsistency in response due to societal pressures, Mishra (2017) has also pointed to the difficulties involved in conducting surveys for tracking happiness over time.

## CONCLUSION

The use of alternative indices replacing the national income as measured through GDP and GNP has been suggested from time to time. But the fact remains that the measurement of GDP is an objective process allowing regional and time-series comparisons. In contrast, the happiness index is a highly subjective concept providing little scope for comparisons across individuals, regions and time. The concept of welfare state and social responsibility of state suggest that in order to increase the well-being of citizens, governments and decision-making bodies should keep in mind the variations in well-being as exhibited in the happiness indices along with the economic measures like GDP and GNP. Regular large-scale collection of happiness data will enable complete analysis of the impacts of policies on well-being. We can conclude that regular large-scale collection of happiness data will improve macroeconomic policy making as well as improve service delivery by government agencies. In order to accelerate the development process of the country and become a global force, India needs to take a serious look at the satisfaction level of its people and encourage those policies which will foster a sense of security and well-being among the masses. A happy worker is an efficient worker. Unless the population is happy with its situation and has a positive future outlook, the country cannot achieve its demographic potential.

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