

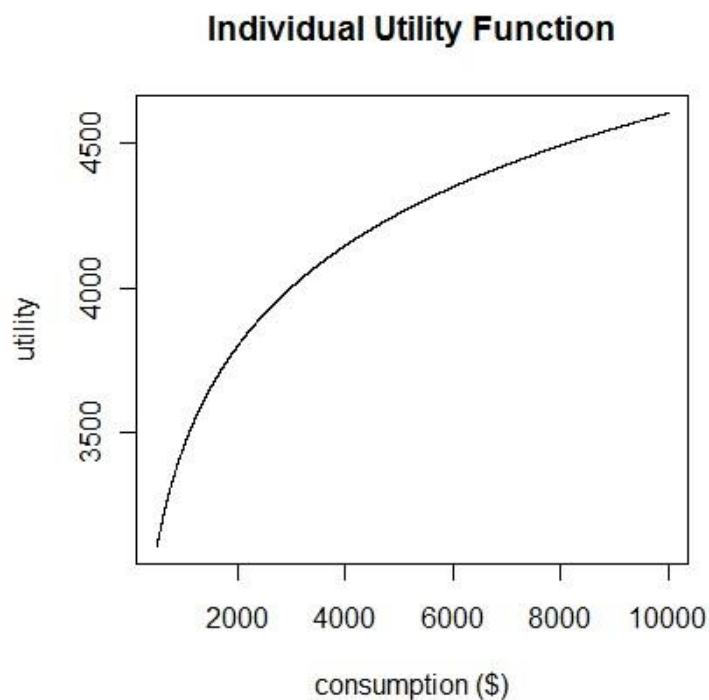
8th Annual MIBES Conference

8 – 10 June 2013

Conference theme: *The Economics of Happiness*

The Economics of Happiness: a primer

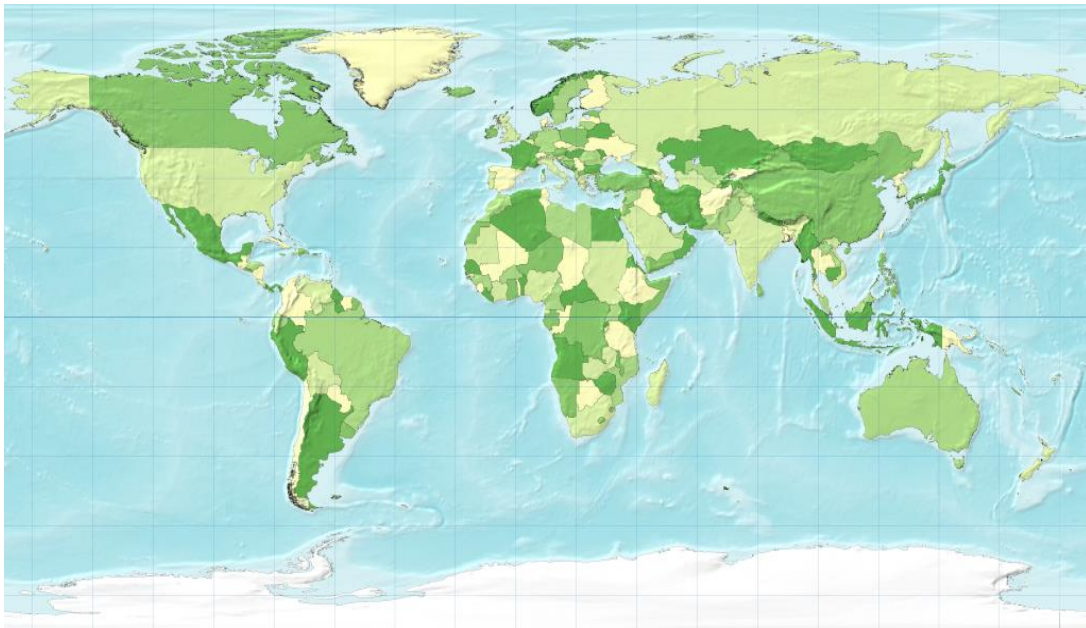
- Mainstream/traditional economics accused of many things:
 - A materialistic science
 - Why?
 - Because we tend to equate (economic) **welfare** to **material wealth**
 - Level of prosperity/living standards associated to the utility gained through material goods and services:
 - More consumption = greater utility = greater prosperity



- Hence: **per capita GDP** the main measure of development and prosperity

Let us look at some snap-shots of the world

The standard world atlas we all know it:

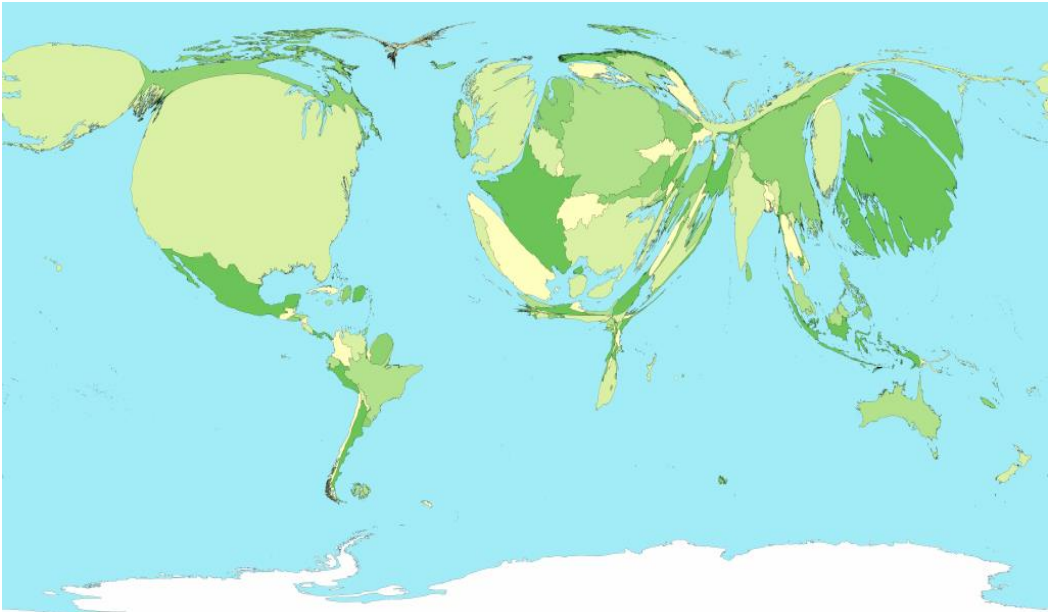


But a different picture emerges if we use different measures
to draw the world atlas

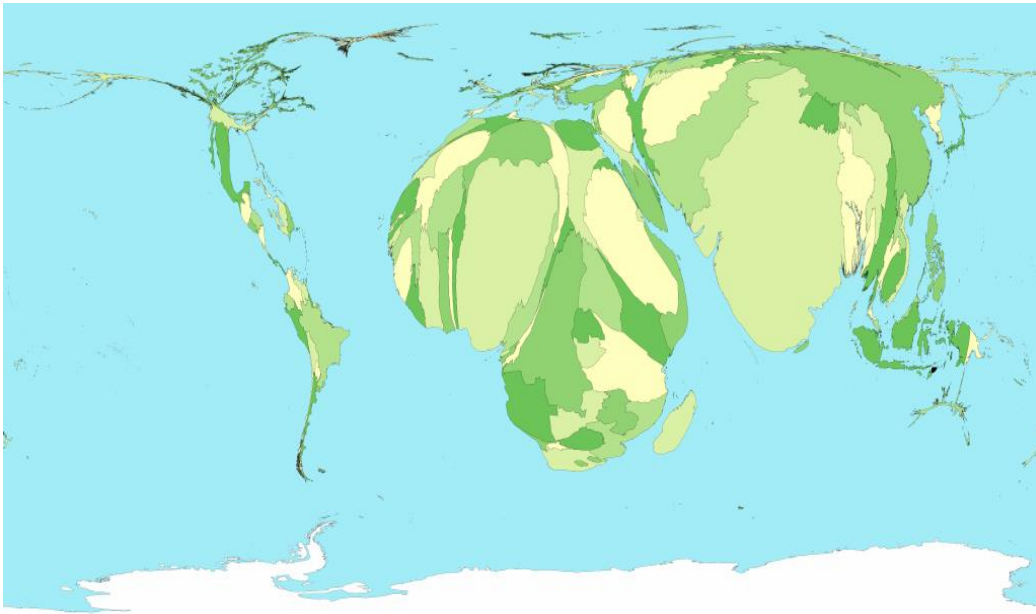
Population:



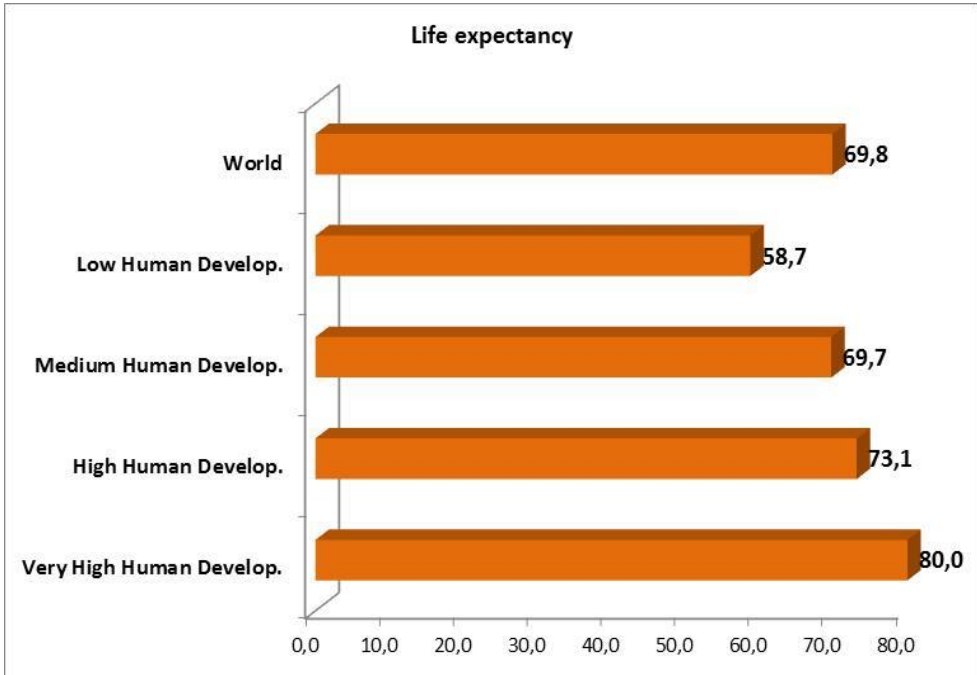
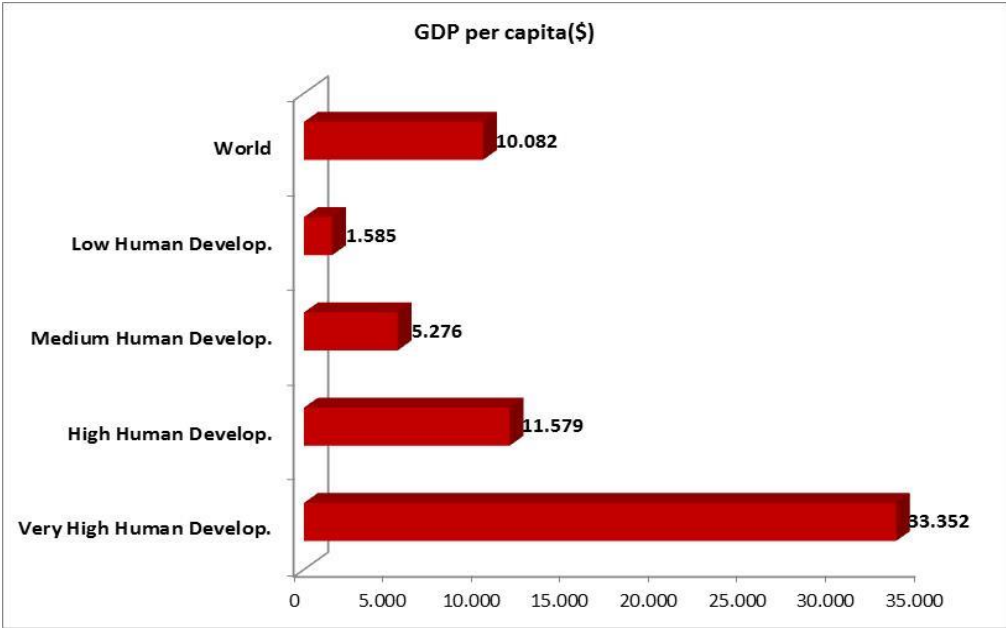
?????? have a guess



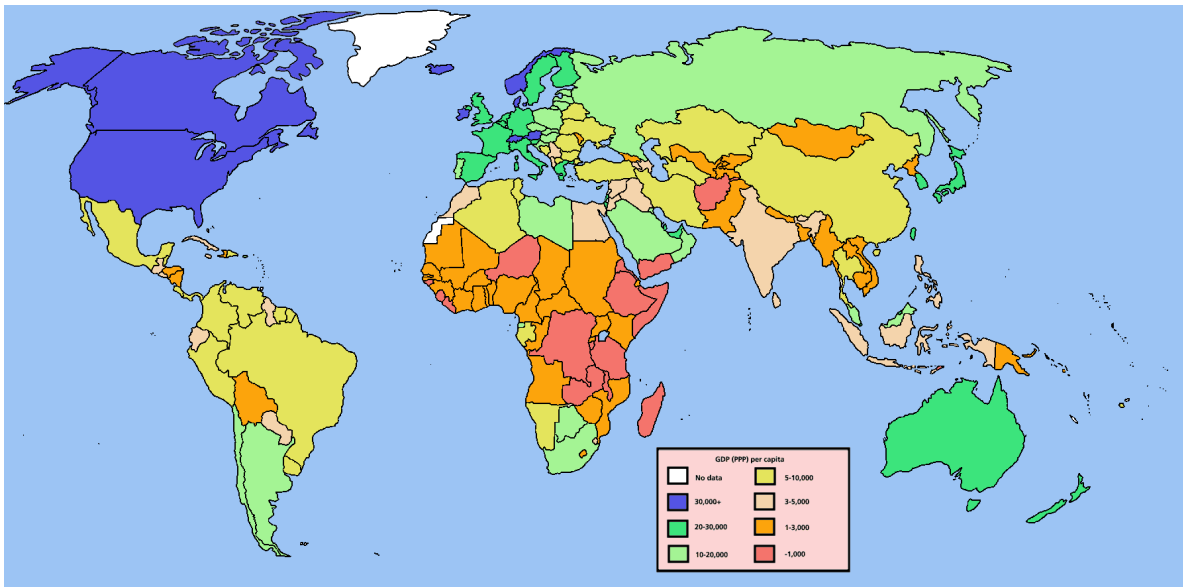
???? have another guess



Some numbers:



A very unequal distribution of (material) wealth

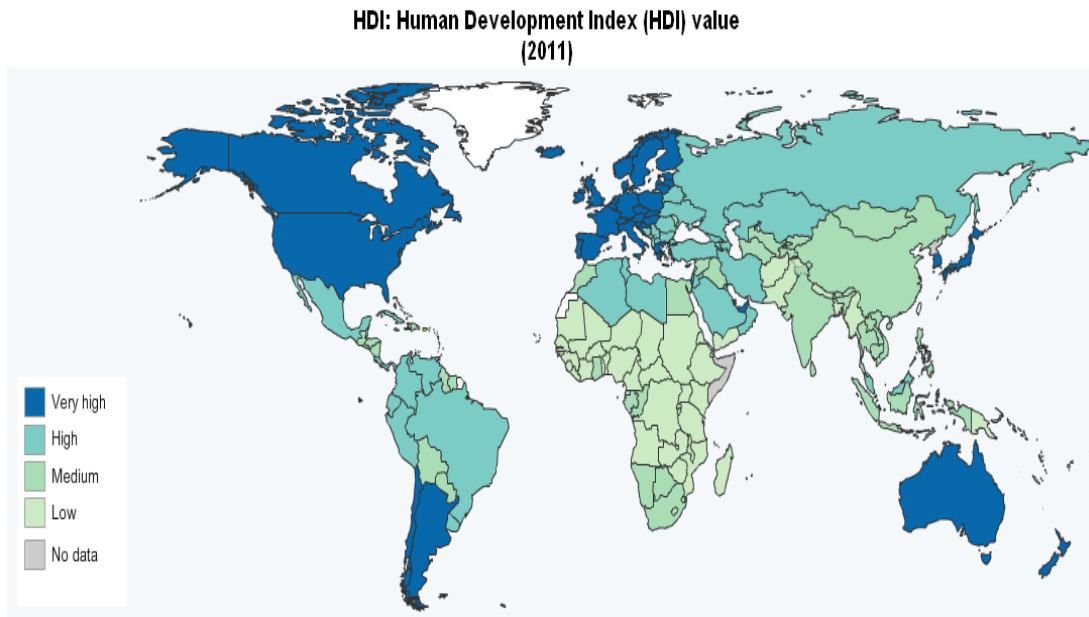


We are (**filthy**) rich! But are we happy?

Material wealth = happiness?

The HDI

- **Composite index developed by the UN**
 - **Per capita GDP**
 - **Life expectancy**
 - **Level of education**



OK. We are rich and developed! But are we happy?

- Can we have an **objective** definition of happiness?
- Happiness is very **subjective**
- Components of happiness:
 - **standards of living**
 - **life expectancy**
 - **enjoyment of life (?)**
 - **others...**

- We can measure **standards of living & life expectancy**. But **enjoyment of life?**

- We ask people: **Gallup World Poll**
- How?
 - **Ladder of life** where **0 worst possible** and **10 best possible**
 - The question: **On which step of the ladder do you feel currently you stand on?**
 - This is called: **Experienced Well-Being**

- So we have: **life expectancy** & personal assessment of **experienced well-being**

Where do people live longer?

Rank	Life expectancy	
1	Japan	83,4
2	Hong Kong	82,8
3	Switzerland	82,3
4	Australia	81,9
5	Italy	81,9
6	Iceland	81,8
7	Israel	81,6
24	Greece	79,9
25	Cyprus	79,6
World Average		69,9
149	Congo, Dem. Rep. of the	48,4
150	Central African Republic	48,4
151	Sierra Leone	47,8

Where people are happier?

Rank	Experienced well-being	
1	Denmark	7,77
2	Canada	7,65
3	Norway	7,63
4	Switzerland	7,52
5	Netherlands	7,5
6	Sweden	7,5
7	Venezuela	7,48
37	Cyprus	6,4
52	Greece	5,8
World Average		5,28
149	Botswana	3,55
150	Tanzania	3,23
151	Togo	2,81

- We add a further dimension: harmony with natural environment

Hence we have: the ***Happy Planet Index***

$$\text{Happy Planet Index} \approx \frac{\text{Experienced well-being} \times \text{Life expectancy}}{\text{Ecological footprint}}$$

Rank	Happy Planet Index Score	
1	Costa Rica	64,0
2	Vietnam	60,4
3	Colombia	59,8
4	Belize	59,3
5	El Salvador	58,9
6	Jamaica	58,5
7	Panama	57,8
59	Cyprus	45,5
83	Greece	40,5
World Average		42,5
149	Qatar	25,2
150	Chad	24,7
151	Botswana	22,6

Thank you for your time, patience and attention!

