

Happynomics: The Economics of Eudaimonia

OPEN ACCESS

Ms. K. Shibi

Assistant Professor of Economics

NSS Hindu College, Changanacherry, Kerala, India

Volume: 6

Issue: 4

Month: September

Year: 2018

ISSN: 2319-961X

Received: 24.08.2018

Accepted: 19.09.2018

Published: 20.09.2018

Citation:

Shibi, K. "Happynomics: The Economics of Eudaimonia." *Shanlax International Journal of Economics*, vol. 6, no. 4, 2018, pp. 5–9.

DOI:

<https://doi.org/10.5281/zenodo.1421171>

Abstract

French Jewish Philosopher Henri-Louis Bergson wrote Happiness-“is commonly used to designate something intricate and ambiguous, one of those ideas which humanity has intentionally left vague so that each might interpret it in his own way” It is difficult to define precisely the word happiness as it differs from person to person. A thing which is common to every person is “the search for happiness,” which are the very purpose of human life. Happiness is the goal of every other goal. By looking through our contemporary’s lens understanding of consciousness, we have created a set of principles for defining our life as “happy and non-happy” Research on happiness has become a highly debated research topic over the last couple of years. The academic journal, magazines, and self-help books are now loaded with tips and methods to attain happiness, shifting from non-happy state to a happy state of being and to make it permanent in one’s life. Since the search for happiness is a nascent stage and more progress must be made for a better understanding of the concepts and factor(s) affecting the same. Different studies were conducted to find out the factors essential for happiness. Well, known economists have started to ask themselves and their profession: ‘Would you be Happier if you were Richer?’ (Kahnemann et al. 2006). The present article is an attempt to understand the place of economics in the pursuit of Happiness. Yet the study of happiness is normally considered to be the area of psychologists and philosophers rather than economists. It is a widely accepted truth that money and happiness are closely connected to each other. Since Economics be the study of the individual and individual look for satisfaction and happiness, the researcher has attempted to find the link between the two. Although money doesn’t guarantee happiness, will definitely help to fight with the odds of life.

Keywords: Happynomics, Happiness, Eudaimonia

Happynomic: Combination of two words: Happiness and Economics

Happiness: Happiness, pleasure or joy is the emotional state of being happy. The degree to which a person evaluates the overall quality of his present life as a whole positively or it’s a momentary, fleeting impression, whose intensity and duration vary according to the availability of the resources that make it possible.

Eudaimonia: It is a Greek word commonly translated as happiness or welfare; it consists of the words “eu” -”good and “daimōn” -”spirit”. A gratified state of being happy, healthy and prosperous.

“We cannot be happy if we expect to live all the time at the highest peak of intensity. Happiness is not a matter of intensity but of balance and order and rhythm and harmony.”

- Thomas Merton, 1955

Introduction

The purpose of life is achieving happiness and redefining it every time. Happiness is the goal of every other goal. We think we know what will make us happy, but we don’t.

Adam Smith, the Theory of Moral Sentiments, 1759 defines “the mind of every man, in a longer or shorter time, returns to its natural and usual state of tranquility. In prosperity, after a certain time, it falls back to that state; in adversity, after a certain time, it rises up to it”. The new field of positive psychology opened an entry into a new point of view about happiness. Much research has been devoted to happiness which is considered to be the center of life; it helps to realize and appreciate one’s own quality of life. Simple questions like, “Are you happy, somewhat happy, unhappy or very unhappy?” will facilitate to recognize the quality of one’s life. It is found that happiness is ensured in countries where basic resources, greater security, autonomy, freedom, educational opportunities and access to information were guaranteed. It is expected that citizens are happier in a climate of peace. Everyone wants to be happy, but to be so, he needs first to understand what happiness is. Happiness reflects our ability to feel content in our new experience and doesn’t fall under social comparisons. Most of the time we feel unhappy only when we start to compare our present stage with others rather than our past stage.

- **About 50% of the individual happiness comes from his predetermined mindset which is genetic.** We are each inclined to a certain level of happiness. Some of us are just naturally happy or have the attitude of a happy-go-lucky attitude.
- About 10% of our happiness is due to our *circumstances*. Like age, race, gender, personal history, etc. and it’s interesting to find that only about one-tenth of our happiness can be covered and pacified by wealth and,
- The remaining **40% of an individual’s happiness seems to be derived from intentional activity**, from “discrete actions or practices that people can choose to do”.

What is happiness? For economists, higher income and higher consumption will give higher satisfaction and happiness. Sociologists emphasize the quality of social support such as one’s network of family and friends (“social capital”). Psychologists stress the importance of personality, mental health, and an individual’s state of mind that is mindfulness or being in the present moment. Many moral philosophers and

religious leaders have suggested that virtue is the key to happiness, an approach sometimes called “virtue ethics.” According to Helliwell and Wang (2013), the four factors are - economic, social, psychological, and ethical which help to account for the differences between individuals and nations in measuring happiness. Helliwell and Wang identify six basic covariates that fall within the four dimensions. These six covariates include - GDP per capita (economic), years of healthy life expectancy (economic and psychological), perceptions of corruption (social and ethical), a prevalence of generosity (ethical), and freedom to make life choices. All covariates except perceptions of corruption (social and ethical) raise happiness. Economic, Psychological and ethical and freedom to make life choices nurture happiness. According to Professor Sonja Lyubomirsky, Ed Diener and Martine Seligman, the main ingredients for happiness are Setpoint, Conditions of living and Voluntary Activities. The quantified equation of Happiness is:

$$H = S + C + V$$

or

$$\text{Happiness} = \text{Setpoint} + \text{Conditions of Living} + \text{Voluntary Activities.}$$

The first factor, ‘S’ the default or the subconscious mind’s set point, which determines how naturally we are happy. An unhappy person tends to interpret every situation as problems and complain and feel unhappy, whereas happy people count it as opportunities to experience a new joy of success. The second factor, ‘C’ is the conditions of living. We all want to improve our quality of life by moving from bad to good. Enjoying good facilities and experiences to feel happy and blessed. This factor contributes only 7 to 12 percent of the total happiness experience. Human beings have a remarkable ability to adapt that the sole reason why living conditions score so low indicators of overall happiness. Almost 50% of happiness can be experienced by the third factor, ‘V’ or Voluntary activities - the things we choose to do every day. As these are voluntary activities, the tendency to gain happiness out of such activities will be more than any other activities.

Happiness and Economics

The study of happiness is treated as subjective one so predominately studies as a part of Psychology. The subjective concept has been tried linked with money to understand the conflicting nature of happiness. The resourceful contribution by Easterlin (1974) was noted by many economic scholars. Economists have increasingly focused on the implications of happiness while formulating the economic policies and theory because of the very fundamental element of human life in the pursuit of happiness only. Robert Frank 1997; Yew-Kwang Ng 1997; and Oswald 1997 shifted, the emphasis on the need for measuring happiness and the need to measure the well-being of the human being from happiness being a subjective concept only. Economists have started the empirical analyses on happiness and various determinants of happiness were suggested in different countries and in different periods. Being rich always gives the supremacy to do things without time delay, as the delay in time leads not only to frustration but also lesser satisfaction from the desire or goal. So, money gives us freedom. Poor have very basic needs which start by earning food and shelter. So, for them, money is nothing but a means to attain their basic needs. Whereas rich people happiness is more important because their basics are already met and hence they can think and plan for other comforts and luxuries. To start living is the first step to happiness where you are no longer thinking about the necessities of life. Once our necessities are met and we start living instead of surviving, only then does happiness surface. Financial struggle will not allow you to relax and enjoy or stay happy. The financial security will help you to breathe the fresh air of happiness which can't be imagined in the darkness of financial constraints. Because of this, the need for money and the role of money gains more importance while studying "happiness" or understanding the source of happiness. Following are a few concepts in Economics related to Happiness.

- **The Easterlin Paradox** is a key concept in happiness economics. It is first introduced by the economist Professor Richard Easterlin, who discussed the change in the level of happiness with a change in income both among and within the nations. Easterlin was the first economist to

study happiness by empirical data. Easterlin found that within a given country people with higher incomes were happier. However, in international comparisons, for average income earners, the level of happiness did not vary much with national income. It was found in the study that income per person rose steadily in the United States between 1946 and 1970, but over time happiness does not trend upward as income continues to grow between 1960 and 1970. The difference in international and micro-level results fostered an ongoing body of research.

- **The Hedonic Treadmill**, also known as **Hedonic Adaptation**, is the supposed tendency of humans to quickly return to a relatively stable level of happiness despite major positive or negative events or life changes. According to this theory, as a person makes more money, in the potential thought of satisfying the ever-increasing desires, which results in a constant struggle to grab happiness. Happiness will be achieved with the achievement of the desire and will return to the same lacking feel until we get some other desire to click on for happiness. Brickman and Campbell coined the term in their essay "Hedonic Relativism and Planning the Good Society" (1971), in the late 90s the concept was modified by Michael Eysenck, a British psychologist, to "hedonic treadmill theory", according to the theory, happiness is compared with treadmill, a device which consists of a continuous moving belt on which we need to walk or run to be in the treadmill. Here, the pursuit of happiness is compared with the moving belt of the treadmill which is continuously moving and human beings have to constantly work to be in the state of happiness. Increase in wealth and money can assure happiness if things are done or purchased by this money makes you happy. Sometimes, having the freedom to spend times with loved ones, freedom to do things at one's own pace, can bring more happiness than the mere increase in money.
- **The Paradox of Hedonism**, also called the **Pleasure Paradox**, is a concept in ethics that focuses on pleasure and happiness as strange

phenomena that do not adhere to normal principles. The philosopher Henry Sidgwick was first to highlight it in *The Methods of Ethics* that the paradox of hedonism is that pleasure cannot be achieved by the success of goal but by being the process of achieving the goal. Happiness or pleasure is indirectly related to things.

- The Easterlin paradox considers that higher incomes do not necessarily make people happier. Become rich enough, and having strong bank balance no longer leads to more happiness. First and the foremost thing is to understand what happiness is and that differ from individual to individual. Being in the present moment will help a person to appreciate and enjoy the state rather than comparing with our own past or more drastically others past or present. Money is an important means to grab pleasurable things, but it's ultimately our genetical or trained mindset point which will decide how we will be. Our subconscious mind is the most powerful one who can look into the pleasure and pain side of any situation. Pleasure asks us to be in present movement without any comparison of economic or non-economic whereas pain always needs a reference point to compare and feel dissatisfied and discontent.

Gross National Product (GNP) and Gross National Happiness (GNH)

The monetary value of all the finished goods and services produced within a country's boundaries in a specific period is termed as Gross Domestic Product. GDP is the total of all private and public consumption, government expenditures, investments and exports minus imports that occur within a defined territory. An economic statistic that includes GDP, plus any income earned by residents from overseas investments, minus income earned within the domestic economy by overseas residents is termed as Gross National Product (GNP). In developed nations, economic prosperity is measured with GDP and often equated with happiness. World Bank forum held in February 2002 in Kathmandu, Nepal came up with an entirely new dimension of a country Bhutan. Bhutan's gross national product was not very high, but they have satisfied with its gross national

happiness index. The Statistically report has shown that in the USA, the developed nation, purchasing power has gone up to 16% whereas the percentage of people calling themselves "very happy" has fallen from 36 to 29 percent. The term "gross national happiness" (GNH) was coined in 1972 by Bhutan's fourth Dragon King, Jigme Singye Wangchuk. It highlighted the unique culture based on Buddhist spiritual values. Seeking happiness only by improving material conditions is like grinding sand in the hopes of extracting oil. Gross National Product (GNP), the economic indicator measures cash flow through an economy, on the other hand, Gross National Happiness (GNH), measures the happiness of the people as an indicator of development and progress.

The assessment of **Gross National Happiness (GNH)** is an aggregate measure of a country's national production, in the tone of the gross national product or gross domestic product. Gross national happiness (GNH) attempts to measure the satisfaction and contentment of each penny they earned. GDP is one of the means to realize the higher goal called GNH which includes the environmental, spiritual, cultural, mental and physical well-being of all citizens in respect of territorial boundaries. It was designed in an attempt to define an indicator and concept that measures the quality of life or social progress in more holistic and psychological terms than only the economic indicator of Gross National Product (GNP). GDP gave importance to three key elements of economics – Production, consumption, and distribution but ignores the most important factor well-being which is associated with contentment and happiness.

Conclusion

The really difficult question is to specify what sort of activities or commodity will make one happy or bring close to well-being. Here, the Greek philosophy helps us to find a solution called "Eudaimonia" which means achieving the best conditions possible for oneself, not only happiness but also hard work and contentment in everything and anything is done in life. Happiness is an emotional state of mind and people everywhere want to be happy, but Eudaimonia is a much more

comprehensive state of being. Later is permanent and takes a long time and effort to achieve the state. Psychologists, philosophers, and even economists have concluded that wealth is only a mean to achieve happiness may be instant happiness but being the state of happiness or well-being requires less money. Peace and contentment, the fundamentals for happiness, which comes from self-awareness and mindfulness. Understanding and respecting oneself as the supreme creature of the superpower called Universe will help us to accept ourselves as a blessed being itself. Hence, we all deserve to be happy and happiness can be felt inside always rather than blindly running on the treadmill for achieving one goal after another. Happiness can be found in our every word and endeavor. We need to believe that we are worthy of happiness and eudaimonia should be our one and ultimate goal. The ultimate aim of human action should be eudaimonia, happiness is groping in darkness, but eudaimonia is divine light which will expel all darkness. Every act and action can be directed to achieve the ultimate truth of happiness called eudaimonia.

References

- Argyle, Michael. (1997). *The Psychology of Happiness*. London: *Methuen*
- Andrews, Frank, M., & John P. Robinson (1991). Measures of Subjective Well-Being. In: John P. Robinson, Phillip R. Shaver and Lawrence S. Wrightsman (eds). *Measures of Personality and Social Psychological Attitudes*. *San Diego, CA: Academic Press*: pp.61-114.
- Argyle, Michael. (1987). *The Psychology of Happiness*. London: *Methuen*.
- Argyle, Michael. (1999). Causes and Correlates of Happiness. In: *Daniel Kahneman*, Ed
- Brooks, A. C. (2008): *Gross National Happiness: Why Happiness Matters for America—and How We Can Get More of It*, *Basic Books*.
- Clark, Andrew E., & Andrew J. Oswald. (1994). “Unhappiness and Unemployment”. *Economic Journal*, 104 (424), pp. 648–659.
- Di Tella, Rafael, Robert, J. MacCulloch & Andrew J. Oswald. (2001). “Preferences over Inflation and Unemployment: Evidence from Surveys of Happiness.” *American Economic Review*, 91(1), pp. 335–341.
- Deepak Chopra. (2009). *The Ultimate Happiness Prescription: 7keys to Joy and Enlightenment*, *Harmony books*, USA. pp.8-20.
- Easterlin, Richard A. “Does economic growth improve the human lot? Some empirical evidence.” In *Nations and Households in Economic Growth: Essays in Honor of Moses Abramowitz*, by Paul A David and Melvin W. Reder. New York: *Academic Press, Inc.*, 1974.
- Layard, Richard. (2005). *Happiness: Lessons from a New Science*, New York: *Penguin Press HC*.
- Matthieu Ricard (2006). *A guide to developing life’s most important skill: Happiness*, London.
- Menger, Carl (1871)[1976] *Principles of Economics*. *New York University Press*.
- Diener and Norbert Schwarz (eds). *Well-Being: The Foundations of Hedonic Psychology*. New York: *Russell Sage Foundation*: pp.353-373.
- David D Burns. (2009). *Feeling Good, the new Mood Therapy*, *HarperCollins Publishers*.
- Tom Rath & Jim Harter. (2010). *Well Being: The Five Essential Elements*. *New York, Gallup Press*: pp.49-66