

# INDEX OF HAPPINESS. HUMAN FACTOR BEYOND CURRENT MEASUREMENTS

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**Abstract:** *For more than 60 years, the most commonly used indicator of economic performance is the Gross Domestic Product (GDP), measured either in absolute or per capita values. This indicator does not measure other important elements of everyday life, such as culture, security, happiness, income distribution or the environment. Economic indicators such as GDP have not been fully designed to measure welfare. Therefore there is a need for new indicators covering other dimensions of progress, namely those related to social and environmental issues, primarily those relating to issues such as global warming, poverty, natural resource depletion and health. The indicator that best expresses the degree of fulfillment of social objectives, economic and environmental well-being, sustainability and quality of life at country, regional or global level is the so-called "happiness index of population", which we will treat this paper.*

**Keywords:** gross domestic product, well being, income distributiob

## **Introduction**

Gross Domestic Product (GDP) represents, in a classical view, an output estimation, to include goods and services produced and sold in a certain period of time. Knowing that GDP is in fact, nothing more than a quantitative measure, and not a qualitative one regarding wellness, a set of initiatives to quantify national growth have recently been developed. Focusing on quantitative aspects could exhaust social and natural capital and promote politics able to endanger the quality of life for the future generations.

Therefore, we should take special measures meant to put in place economic indicators corrected with human aspects on the one hand, and/or introduce new indicators to directly measure the wellness. There are many concepts regarding wellness. In the 70's the politics about wellness were based upon a wide variety of social indicators covering health, houses, jobs, environment, family, education and human rights along with wellness.

Systems of indicators were represented by Calvert-Henderson quality of life, Canadian wellness indicator and UNICEF systems of indicators, German evaluation, research and methodology center, and Swiss statistics. Recent research drove to a direct measure of quality of life, life satisfaction, wellness and happiness.

### **Measuring the progress of societies**

Concepts of quality of life and wellness developed by the EU Sustainable Development Strategy<sup>1</sup>, offers an integrated vision on material and non-material values, on objective and subjective components of prosperity. They include various areas such as work, health, education, housing, and social relations. Increasing concerns have been raised since a long time about the adequacy of current measures of economic performance, in particular those based on GDP figures. Reflecting these concerns, in February 2008 President Sarkozy has decided to create The Commission on the measurement of economic performance and social progress, to look at the entire range of issues. The Commission is chaired by professor Joseph E. Stiglitz, winner of 2001 Nobel Prize. Its aim is to identify the limits of GDP as an indicator of economic performance and social progress, to consider additional information required for the production of a more relevant picture, to discuss how to present this information in the most appropriate way, and to check the feasibility of measurement tools proposed by the Commission. The Commission produced a 292-page report<sup>2</sup> regarding its three directions of study, recommendations and future actions. Commission invites national and international organizations to examine the results and recommendations, to identify their limits and contribute to prioritize the indicators to produce and support social progress. In July 2008, OECD Council launched The Global Project on "Measuring the Progress of Societies" run in collaboration with other international and regional partners. The project seeks to become the world wide reference point for those who wish to measure, and assess the progress of their societies, explaining what and how to measure, and also to assist in doing that.

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<sup>1</sup>The first EU Sustainable Development Strategy was adopted in 2001. In June 2006 the European Council adopted The Renewed EU Sustainable Development Strategy. It is an overarching strategy for all EU policies, which sets out how we can meet the needs of present generations without compromising the ability of future generations to meet their needs. The Sustainable Development Strategy deals in an integrated way with economic, environmental and social issues and lists the following seven key challenges: Climate change and clean energy, Sustainable transport, Sustainable consumption and production, Conservation and management of natural resources, Public health, Social inclusion, demography and migration, Global poverty.

<sup>2</sup> Report by the Commission on the Measurement of Economic Performance and Social Progress

## Index of happiness

Index of happiness has been introduced as such in 1972 by the king of Bhutan, a small country in Asia. The concept of gross national happiness (GNH) defines an indicator that measures quality of life or social progress in other terms than Gross Domestic Product (GDP). The Bhutanese grounding in Buddhist ideals suggests that beneficial development of human society takes place when material and spiritual development occur side by side to complement and reinforce each other. GNH is solidly based upon the empirical research literature of happiness, positive psychology and wellbeing.

On 20 August 2009, the European Commission released its Communication „GDP and beyond: Measuring progress in a changing world”. The Communication outlines an EU road-map with five key actions to improve the indicators of progress in ways that meet citizens’ concerns and make the most of new technical and political developments:

- complementing GDP with environmental and social indicators;
- near real-time information for decision-making;
- more accurate reporting on distribution and inequalities;
- developing a European Sustainable Development Scoreboard;
- extending National Accounts to environmental and social issues.

Using International Monetary Fund 2008 GDP per capita figures, the map shows the diversity of colors around the world.

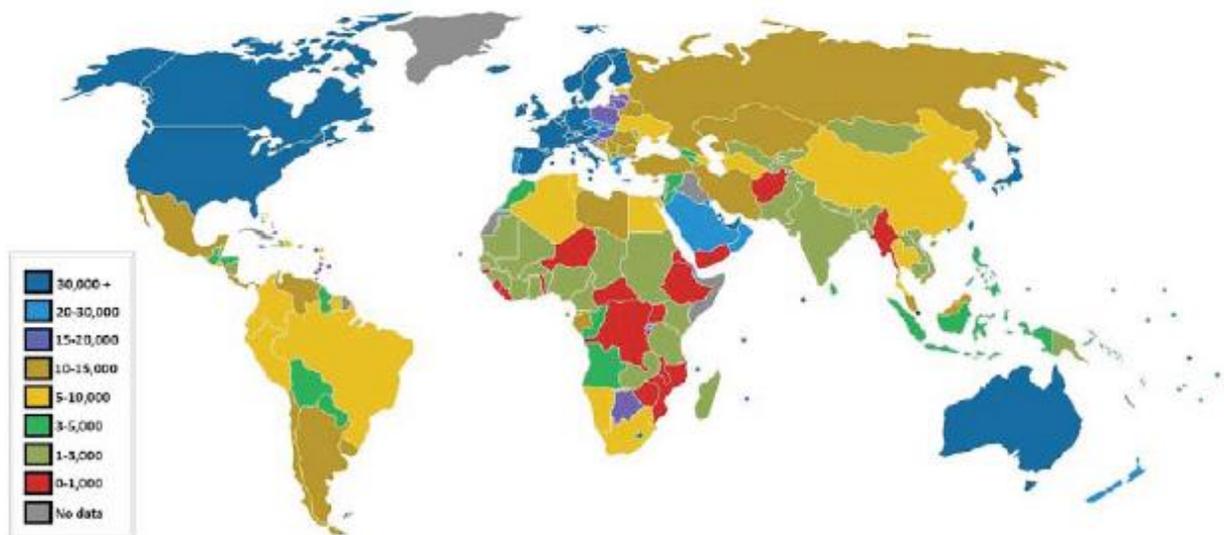


Figure 1. World map of GDP per capita

The next map shows the happiness, determined based on Gross National Happiness – GNH indicator, suggested by the king of Bhutan, as principle to guide the development of its country to preserve culture and

spiritual values, rather than economic welfare. GNH is related to the 2007 UN database on the subjective perception over the wellness.

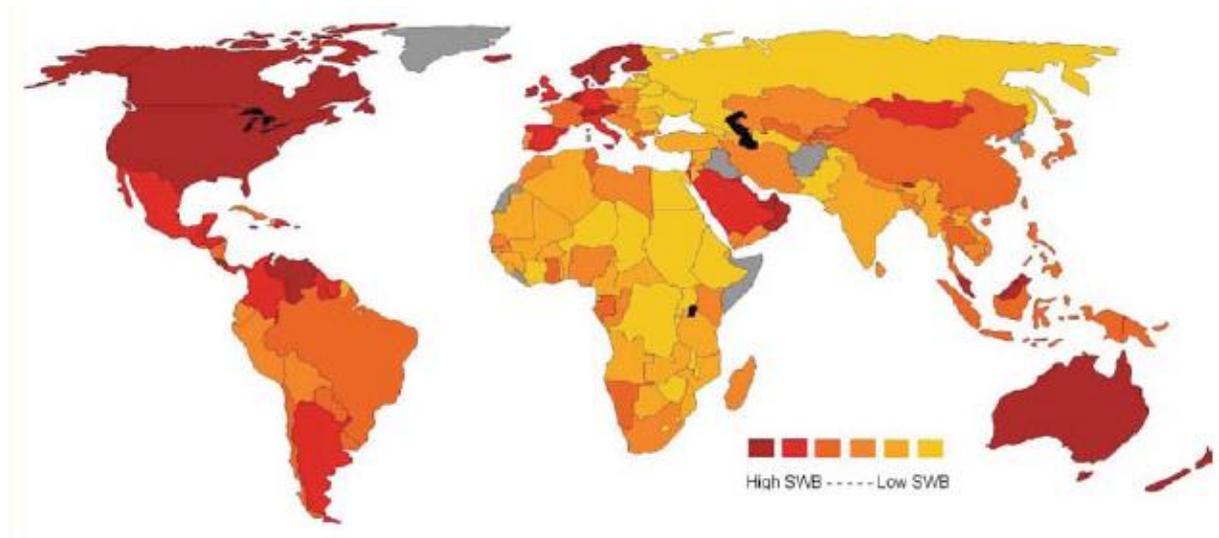


Figure 2. World map of happiness (GNH)

Another example of indicator referring to the happiness is Happy Planet Index - HPI, introduced in July 2006 by the New Economics Foundation. This index is designed to challenge the GDP, being seen as inappropriate, as the usual ultimate aim of most people is to be happy and healthy, not to be rich. The index measures the ecological efficiency by which the human wellness is distributed through a combination of three major indicators: life satisfaction, life expectancy and ecological footprint (compares human demand with planet Earth's ecological capacity to regenerate):

$$HPI = \frac{Satisfaction * Life\_expectancy}{Ecological\_footprint}$$

Figure 3 presents the level of HPI of the countries. Colors reflect the degree the countries fulfill the requirements of the three indicators mentioned above, on a three value scale: good, medium and weak. Data are taken from a document published in September 2008 by the European Commission that launched the PARADISO<sup>3</sup> project.

<sup>3</sup> The PARADISO project, launched with the support of the European Commission in March 2008 by Sigma Orionis and Club of Rome aims at identifying strategic research directions on network and service infrastructures in the hypothesis of a disruptive paradigm concerning global societal developments.

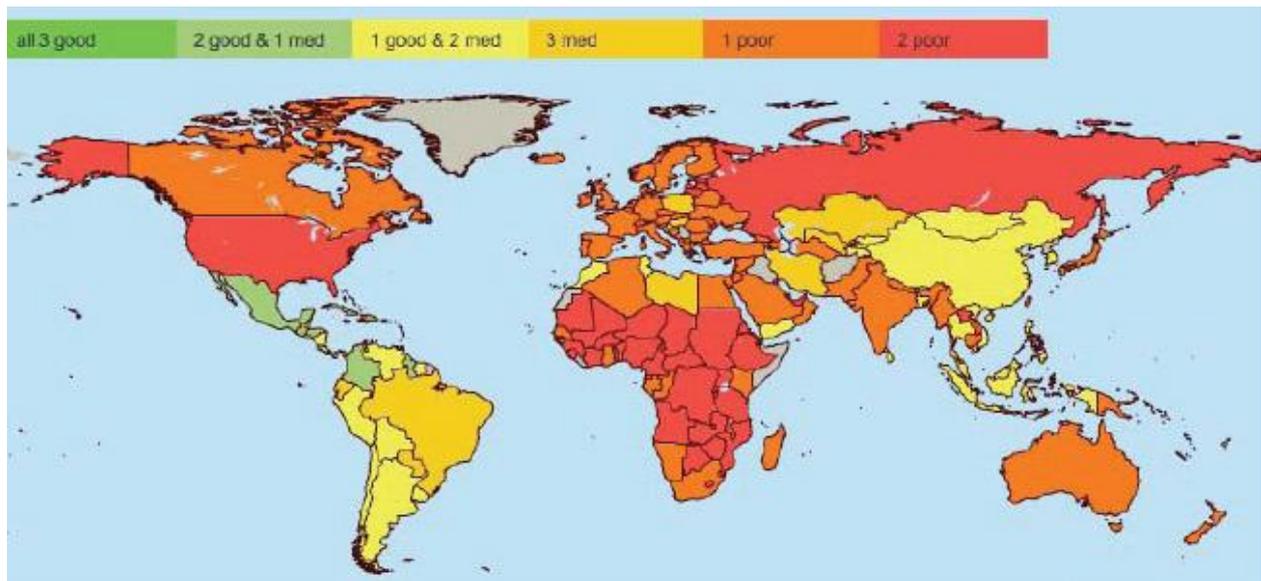


Figure 3. Happy Planet map (HPI)

If we look at these three maps, we see they are somehow similar, but in the same time we will find significant differences. In a study published in 2008, the German Bank<sup>4</sup> analyzes the example of this country, which ranks in the middle on many measures regarding freedom, trust, tolerance, education, according to international standards on satisfaction of German people, behind many other countries with a reduced level of GDP. The study analyzed a number of 20 countries and 15 variables. The study presents a series of recommendations (for times ten), on every one of the four filters: (1) what are the really important and relevant aspects of progress and life satisfaction, (2) where does Germany perform comparatively poorly by international comparison, (3) which aspects can be changed by specific action, and (4) given the close connections between the different variables, where might changes have particularly pronounced long-term effects because they can lead to improvements in other areas.

## Conclusions

During the last decade, a real explosion of initiatives makes itself visible due to the pressure the profound changes occurred over the world put on the modern society.

Currently, the European Union is one of the powers of the world actively engaged in promoting the new concept of progress based on social, environmental and economic revised objectives: a real sustainable development, sustainable economic growth, distributed resources, and last, but not least, the wellness of world population, measured by a new indicator „beyond GDP”, that expresses the society development.

<sup>4</sup> The broad basis of societal progress, Deutsche Bank Research, October 2, 2008.

In the near future we will assist to dramatic changes concerning actual system of indicators in the way of introducing ones that can better measure the level of satisfaction of the people and put the human again on the first place, not to be transformed in a simple number in a series of data in UN, EU, OECD, or some other national and international organizations' statistics.

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