The happiness revolution: How to boost the well-being of society

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We now know that economic growth doesn't necessarily translate into greater well-being. A closer look at Nordic countries such as Finland reveals surprising truths about what really makes a happy society and how other governments can emulate their success.

IF YOU want to maximise your chances of living a happy and fulfilled life, you might consider moving to one of the coldest, darkest countries in the world. Since 2012, The World Happiness Report has ranked the average life satisfaction of more than 150 nations. In the past four years, the top slot has been taken by one country: Finland.

No one was more surprised than the Finns. "The Finnish self-image is that we are this introverted, melancholic people," says Frank Martela, a philosopher and psychologist at Aalto University in Finland. More surprising, at first glance, is the fact that as the country has ascended to the top of the well-being charts, its economic development has remained remarkably flat.

This seeming paradox confirms what many people have long suspected – that our traditional focus on economic growth doesn't translate into greater well-being. While gross domestic product (GDP) continues to be the default proxy for people's welfare, many economists and governments are waking up to the fact that our fixation on money is distracting us from policies that could actually improve the quality of people's lives. Indeed, various nations, from the UK to New Zealand and Costa Rica, have now publicly stated their intention to track measures designed to better capture human happiness.

Clearly, this is no trivial task. So what can we learn from the evidence emerging from psychology, and the social sciences more broadly, about the various factors that contribute to our emotional well-being? And what, if anything, can that tell us about how other countries can emulate Finland's success?

One of the biggest problems is that happiness is a squishy concept, which would seem to make it difficult to measure. The dictionary of the American Psychological Association, for example, defines it as "an emotion of joy, gladness, satisfaction, and well-being", hardly clear criteria for assessment.

That isn't to say it can't be assessed, though. Like the measurement of any subjective quality, scientists have to rely on study participants to report their happiness themselves. This is complicated by the fact that our moods can be transient, changing from moment to moment, and they are often woven from a number of separate emotions. You might simultaneously feel anxious and excited about a forthcoming holiday, for example. As a result, scientists want to get a sense of the overall balance, the big picture of someone's mental state over a prolonged period.

For that, there are a few options. You can give people detailed surveys, asking them to estimate how often they experience a range of feelings, labelled as "good", "bad", "pleasant" and "unpleasant". Or you can rate statements about different areas of life that are known to be important for well-being, such as "I am competent and capable in the activities that are important to me". In both cases, researchers can sum up the answers of the various questions to arrive at a final score.

Protesters in New York in 2021 calling for greater equality in wealth

Finally, you can ask the person to rate their life satisfaction directly, in a single question. The World Happiness Report, for instance, uses an approach called the Cantril ladder, which poses the following question: “Please imagine a ladder with steps numbered from zero at the bottom to ten at the top. Suppose we say that the top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. If the top step is 10 and the bottom step is 0, on which step of the ladder do you feel you personally stand at the present time?”

This direct approach is preferred by most researchers concerned with societal well-being because the question is intuitive for participants to answer, and equally accessible to people of many different socioeconomic or cultural backgrounds. “Life satisfaction is a very simple and indisputably important thing about a person, and it’s asking them to make their own summary of their life – it’s not somebody else doing it for them,” says Richard Layard, a co-director of the Community Wellbeing programme at the London School of Economics and one of the founding authors of The World Happiness Reports. “The average time it takes somebody to answer is 2 or 3 seconds. Most people know how they feel about their life.”

Richard Easterlin at the University of Southern California was among the first to compare life satisfaction scores with GDP. Examining data from 1946 to 1970, he found that people’s income at any particular time did indeed influence each individual’s happiness: richer people tended to be more satisfied than their poorer compatriots. Strangely, however, the rising GDP over this period did little to raise those scores from their baseline. Despite the economic boom, the average life satisfaction of US citizens remained the same.

The finding, known as the Easterlin paradox, was first published in 1974. It received little fanfare at the time, with most economists continuing to believe that GDP could serve as a decent proxy for citizen welfare. By the 1990s, however, other researchers had started to pay it some serious attention, producing multiple papers on the subject. Today, its influence is unquestionable. “Richard Easterlin deserves a Nobel prize for putting humans back at the centre of economics research,” says Francesco Sarracino, an economist at STATEC Research, the government statistics service of Luxembourg.

The income paradox

There have been some studies that seemed to debunk the paradox. But as Sarracino points out, those studies only tended to look at short-term trends, whereas in the long-term – for a decade or longer – the link between economic growth and well-being disappears.

What’s more, the findings seem to hold across many different countries. In a paper published in 2020, Easterlin and Kelsey O’Connor, also at STATEC Research, analysed data from Japan between 1958 and 1987, China between 1990 and 2015 and India between 2006 and 2018. “In all those countries, there have been periods during which income has doubled and then re-doubled, but there was no positive effect on happiness,” says Easterlin. “If anything, the happiness in India has actually been declining, at the same time that income has been going up.” This trend is essentially the opposite of Finland’s, which has seen little economic growth but rising life satisfaction for the past decade.

“Despite an economic boom, the average life satisfaction of us citizens remained the same from 1946 to 1970”

All of which explains why so many economists and national leaders have come to voice their ambitions to replace GDP with alternative measures of happiness. Various proposals have been put forward (see “Four alternatives to GDP“), and a handful of governments are already taking action. In 2018, Scotland, Wales, New Zealand, Iceland and Finland formed the Wellbeing Economy Governments (WEGo) partnership, with aims including increasing their populations’ health and life satisfaction, in addition to various environmental objectives. The approach has informed New Zealand’s budgeting, which since 2019 tracks progress according to a “Living Standards Framework” that measures human capital, natural capital and social capital, alongside financial and physical capital. It is still too early to draw any definite conclusions about the progress of these measures. But by analysing the historical data, we can identify many of the financial, social and psychological factors that are linked to emotional well-being, which might explain the Easterlin paradox and could inform future policies.

Silver medals gave little joy to US runners at the London Olympics

The first is economic inequality. It is now well known that we tend to compare our successes to those of others, creating an unhealthy sense of competition that often results in frustration and unhappiness. In one memorable experiment, researchers examined videos of Olympic athletes as they received their medals. Whereas those receiving the gold medal were positively beaming, the silver medallists seemed to be in agony, as they struggled to deal with the feeling of having missed out on the top spot. The bronze medallists seemed to be happier – perhaps because of the sheer relief of reaching the podium at all.

Further studies have demonstrated that social comparisons can influence people’s well-being in many diverse situations. We measure our success relatively. When it comes to economics, psychologists have shown that our perceptions of how our income relates to other people’s matters as much, if not more, than the actual amount we earn. And if there is a large amount of inequality, you may be more likely to make those comparisons.

This could go some way to explaining the Easterlin paradox. In 2015, Shigehiro Oishi at the University of Virginia and Selin Kesebir at London Business School put this idea to the test by comparing Easterlin’s original data with historic measures of inequality in the 1940s, 50s and 60s. Sure enough, they found that people’s happiness over time closely tracked changes in inequality. When the gap between rich and poor was smaller, people tended to be more satisfied with their lives than when it was bigger, while the overall wealth, measured by GDP, tended to have little effect.

Social capital

They then tested the hypothesis on more recent data from over 30 countries. The same pattern emerged: economic growth only increased happiness when the new-found riches were more evenly distributed among the citizens, reducing the overall inequality. “In countries like the US, where an increase in national wealth goes, almost exclusively, to the top 10 per cent of the population, you can’t expect economic growth to improve population happiness,” says Oishi.

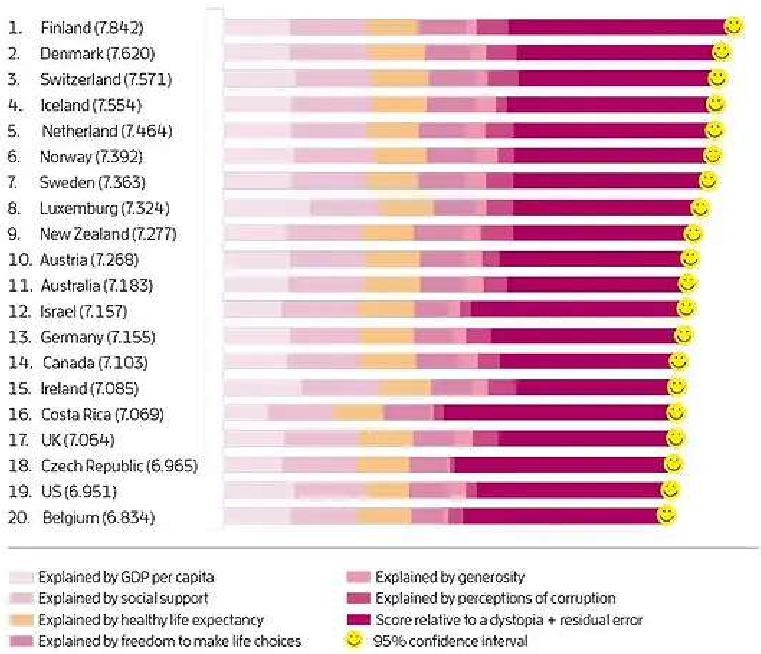
“A study of Norwegian twins suggests that around 30 per cent of people’s satisfaction with life is inherited”

A second explanation for the Easterlin paradox comes from studies of social capital: the links and bonds that we forge with other members of our community. Most psychologists readily accept that friendly interactions with others can make a huge contribution to our mental and physical health. Indeed, according to one famous meta-analysis by Julianne Holt-Lunstad at Brigham Young University in Utah, a lack of social connection can harm our health as much as obesity or smoking up to 15 cigarettes a day.

Social capital is often measured by getting people to rate how much they trust the people around them. “Social trust happens to be one of those variables that has been consistently monitored across a large number of countries for a long time,” says Sarracino. For example, participants might be asked: “Would you say that most of the time people try to be helpful or that they are mostly looking out for themselves?” People with lots of connections from a strongly integrated community tend to give more positive responses.

Ranking of happiness, 2018-2020

The World Happiness Report is published annually by the United Nations Sustainable Development Solutions Network. It uses the Cantril ladder, which involves asking people to imagine where they view themselves on a ladder, with the lowest rung representing the worst possible life, equivalent to 0, and the top rung being the best, a 10



Working with Malgorzata Mikucka at the Catholic University of Louvain in Belgium, Sarracino recently compared that data with estimates of economic growth and inequality in 46 countries. The results were exactly as predicted. “Economic growth only improves life satisfaction if it’s associated with declining inequality and if it’s associated with growing social trust,” says Mikucka.

There are many ways that economic growth might reduce social capital, the researchers suggest. In a highly competitive environment, people might start working longer hours, with less time for their friends and family. The rapid construction of tower blocks could break up communities, and increased consumerism could mean that people focus more on buying new objects than maintaining their relationships. “It can bring the destruction of social ties,” says Mikucka. That will mitigate the material comfort brought by the higher income.

A third factor influencing the link between GDP and happiness is the quality of a country’s institutions and the ways that they look after those who are in need – through healthcare, unemployment benefits and pensions. In the past, some economists had simply looked at the proportion of GDP devoted to the welfare state, and they had tended to find that generous spending had surprisingly little effect on the overall happiness of the population. In some cases, there even appeared to be a negative correlation between welfare budgets and life satisfaction, a discovery that would seem to argue against government intervention in people’s lives.

Martela, however, says these studies failed to consider how that money was applied: whether the services are efficient and provide the necessary help when it is required. In some countries, much of the funding is simply lost through corruption. “Inefficient systems aren’t likely to help much, no matter how much money you pour into them,” he says.

When you account for this possibility and calculate the benefits that citizens actually receive instead of the initial investment, it becomes clear that an effective welfare state really does play an important role in people's life satisfaction. Overall, the difference in life satisfaction between the best and worst welfare states was roughly equivalent to the effects of marriage on someone's happiness. Intriguingly, the increased well-being could be seen at all levels of society, including those with the highest incomes.

Nordic nirvana

The Nordic countries – and Finland in particular – provide a perfect illustration of all these trends. They each have low economic inequality, high levels of social trust and an effective welfare state. In Martela's view, all three of these factors have interacted to create a kind of virtuous cycle. The welfare state has helped reduce inequality, which in turn has helped increase people's sense of trust in others. Equally, Finnish people's trust in each other and the quality of their institutions have meant that they are more willing to see their taxes go into the welfare state. "I recall one American economist who said that Nordic countries are the only places in the world where you can go into elections saying 'I'm going to raise taxes'into elections saying and still win," says Martela.

An examination of the Nordic nations can also help us dispel some lingering myths. Many commentators, for instance, have expressed surprise that Finns could be so satisfied with their lives when the population has to endure such cold, dark winters. But reams of scientific research show that climate has very little influence on life satisfaction in the long term. This seems to be the result of habituation: while a single rainy or sunny day might affect our mood, we soon adapt to long-term weather patterns.

"An effective welfare state really does play an important role in people's life satisfaction"

An equally persistent myth concerns mental health. Nordic countries are commonly believed to have unusually high numbers of suicides. If that were true, it might suggest that the happiness of the majority comes at a terrible cost to the minority who fail to live up to the nations' high standards of success and well-being, and who may be left feeling isolated from their compatriots.

This assumption is based on outdated information, however. Suicide rates in Finland and the other Nordic countries have been falling since the 1980s, and they are now approaching the European average. The causes of suicide are notoriously complex and may be only partly related to the factors that influence overall life satisfaction in the general population. But these statistics don't demonstrate a dark downside to the countries' generally happy lifestyles.

Finland is the happiest country in the world.

Finally, there are some common misconceptions about the effects of 9 immigration. Some commentators had argued that ethnically diverse countries will struggle to reach a high level of happiness, thanks to the tensions between different cultural groups and the difficulties of cultural integration. While it is true that the number of immigrants in Finland is fairly low, other Nordic countries, such as Sweden, have taken in many foreigners, yet it also ranks highly in The World Happiness Report. Indeed, an analysis in the 2018 edition found that in the top 10 happiest countries, immigrants made up around 17 per cent of the population. This was about twice the world average. "The number of immigrants within a country just doesn't seem to correlate with happiness levels," concludes Martela.

Given all the evidence, Easterlin suggests that Nordic nations offer a potential path for many other governments to follow. “Europe – and the Nordic countries in particular – has led the way in trying to devise policies that place people at the forefront,” he says.

There are good reasons for politicians to take heed. The most obvious may be the moral argument: if governments are protecting our interests, that should include our well-being. But there may also be a more pragmatic motivation for politicians who hope to remain in power.

Votes in happiness

It is now something of a cliché that economics decides elections. According to the political lore, people vote for a change of government when they are facing financial hardship. Yet two recent studies by George Ward at the Massachusetts Institute of Technology and his colleagues suggest that people’s happiness may be the ultimate deciding factor. The first, from 2019, analysed data from European elections since the 1970s, while the second, published this year, examined people’s voting decisions in the 2012 and 2016 US presidential elections. Ward found that lower levels of subjective well-being strongly predicted a swing away from the incumbent party, and this was more important in determining the results than measures of income or unemployment, and the effect remains even when you control for demographic factors such as age or race.

Some people may be sceptical of the attempts to plan policies around happiness. You could argue, for instance, that it encourages politicians to focus too much on short-term gains, popular with the public, rather than long-term strategy. There is also the danger that a government that is overly focused on subjective measures of well-being will leave the country open to financial risks that could, eventually, lead to greater unemployment and insecurity, things that could ultimately reduce life satisfaction. It will also be important for countries’ policies to be culturally appropriate – what improves one population’s well-being may not chime with another’s values.

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Ultimately, though, Easterlin remains optimistic that our new understanding of what makes societies happy will, in time, translate to seismic shifts in people’s well-being. “There have been three revolutions, each based upon a breakthrough and knowledge that have vastly improved people’s human condition,” he says. “One is the industrial revolution, which improved our material living conditions, and that was based on the emergence of the natural sciences. A second was the life expectancy revolution, which started about a century later, as the life sciences, biology and microbiology became important. The third is the happiness revolution, based upon the social sciences, which will improve people’s subjective well-being – how they feel about their circumstances.”

FOUR ALTERNATIVES TO GDP

There are many measure countries can use to shift their focus from economic growth to broader goals that encompass things like quality of life.

Gross National Happiness Index

Bhutan has been at the forefront of alternative economics, and the country has inspired many of the international initiatives. In 2008, the Bhutanese government began to measure its progress with the Gross National Happiness Index, which assesses nine domains: psychological well-being, health, education, time use, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience, and living standards.

Human Development Index

Invented by the United Nations, the Human Development Index doesn't examine emotional well-being directly, but it does incorporate indicators of life expectancy and education, in addition to financial income, to rate a country's progress.

Better Life Index

The Organisation for Economic Co-operation and Development considers 11 dimensions of well-being for its Better Life Index: housing quality and cost, household income, job security and unemployment, levels of social support, education, quality of the environment, involvement in democracy, health, life satisfaction, safety/crime and work-life balance.

Happy Planet Index

Although many of the alternatives to GDP consider a country's environmental impact, the Happy Planet Index places a greater emphasis on green credentials. It was established by the New Economics Foundation, a UK think tank, and incorporates the following elements: life expectancy, well-being, and ecological footprint.