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The Graph of Smileys: in Search of the Correlation between Growth and Well-Being

Abstract

Well-being is a general term for the condition of an individual or group. Growth, on the other hand, demands more work hours and labor at the cost of leisure which might be judged as a loss of quality personal time and a toll on the level of well-being of an economy. This paper tries to establish a link between average levels of subjective well-being and GDP per capita to find out whether growth and well-being grows hand in hand or comes to a conflict as they put their costs on each other.

Keywords: Happiness, Well-being, Growth, Leisure, Development, Income, Family.

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Introduction

Economic growth usually refers to increase in the volume of GDP, the adoption of new technologies, transition from agriculture to industry, and general improvement in the standard of living. Economic development can be referred to as the quantitative and qualitative changes in certain indicators of an economy including development of human capital, critical infrastructure, regional competitiveness, social inclusion, health, safety standards, literacy and other initiatives. Economic growth and development is a two-way relationship. The first chain consists of economic growth benefiting human development, since economic growth is likely to lead families and individuals to use their increased incomes to increase their expenditures, which in turn lead to further human development and with increased consumption spending- health, education, and infrastructure grow and adds to economic growth.In addition to increase in private incomes, economic growth also generates additional resources that can be used to improve social service. By generating additional resources for social services, unequal income distribution can be minimized; as such social services are equally among each community, thereby benefiting each individual.Gross Domestic Product (GDP) has become popular for measuring a nation's economic performance among economic policy makers of national economic development. Academicians, particularly the neoclassical school has backed GDP as the most useful and reliable indicator, under the assumption that economic growth should exceed population growth if people are to see growth in economic well-being. This also makes GDP the indicator for assessing the economic well-being of any nation, partly because people tend to place higher priority on economic stability and prosperity to ensure overall well-being. However, recently it has been pointed out that GDP does not capture well the non-economic part of a nation's well-being with growing environmental deterioration, social instability, regional conflicts, youth unemployment, child labor, human trafficking and atrocities against women becoming important factors which need serious considerations. On the other hand, GDP does not tell us about the nature and quality of goods and services that are produced and consumed, nor does it tell us how individuals value their growth of purchasing power. GDP growth could be attained by the performance of large multinational companies, which seek to maximize their profits and minimize their costs to compete in the global market. Companies tend to emphasize short-term profits at the cost of long-term impacts, including those on the environment and quality of human life. These behaviors could enhance GDP expansion, which might have little connection with the improvement of people's overall well-being. To know the actual state of well-being of a nation, it is important for us to investigate whether people in general are satisfied with their overall lifestyle entangled with the mega drama of growth.The urban mass earning relatively higher wages suffer in their personal lives as they have little quality family time and a satisfactory level of leisure which hampers their standard of living. This paper explores the issue of quality of economic growth by paying a closer attention to the relationship between growth performance and changes in people's subjective well-being.

Problem

When rapid growth occurs in a nation,its social well-being as a whole starts deteriorating.In such circumstances, crime rates hike up along with suicide rates, juvenile criminal acts, women atrocities, etc. Society starts to suffer. As parents become extremely busy with their work, their children often suffer from psychological degradation which in turn inflates the juvenile criminal acts of a nation noticeably. Growth does not think of religious beliefs. Thus as a nation grows, religious agitations rise considerably among different sectors of the society.Growth also has led to the emergence of nuclear families and completely self-dependent individuals who often undergo psychological disorders. Growth and social degradation sometimes go hand in hand. Hence, a nation is growing rapidly does not imply that its social welfare rate is also high. In other words, one may say that- people earning more does not necessarily make them happy.

Analysis and Findings

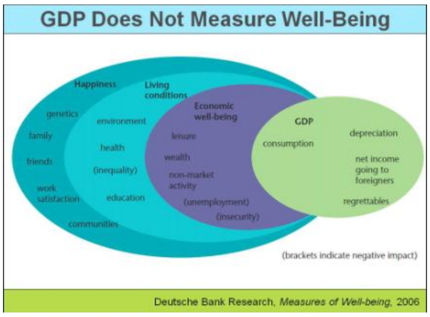
How Happy We Are

Growth and development getlumped together frequently,it is easy to assume that they go hand in hand and happen at the same time. But Growth doesn't look into what it took to add to its height or its numbers or its bank statement. Growth is only shown through the evidence of it's happening. Economic growth is typically just a number (GDP), but it is often the only thing that is touted as a measure of success over looking the overall process or spread. Development encompasses the qualitative improvement of circumstances. This means that as something develops the quality of the whole improves. As a tree develops, it will not only grow, but also be able to reproduce, bear fruit, be healthy and continue growing. Economic development in a community or country leads to overall betterment in living standards and opportunities to improve. Though growth and development may affect each other, they are not necessarily complementary. Growth may take place despite any development. Development can happen but there may actually be little growth. Ideally, of course, both will be evident. If either one is absent, growth without development or development without growth, then whatever it is, is in danger.As Dr. Amartya Sen points out, "economic growth is one aspect of the process of economic development" whereas dependency theorists argue that poor countries have sometimes experienced economic growth with little or no economic development initiatives; for instance, in cases where they have functioned mainly as resource-providers to wealthy industrialized countries. There is an opposing argument, however, that growth causes development because of trickledown effect and some of the increase in income gets spent on human development such as education, health, sanitation etc.The relationship between human development and economic development can be explained in 3 ways: Increase in average income leads to improvement in health and nutrition, it is believed that social outcomes can only be improved by reducing poverty. Social outcomes can also be improved with essential services such as educations, healthcare, clean drinking water etc. John Joseph Puthenkalam's research aims at the process of economic growth theories that lead to economic development. After analyzing the nature, design and modes of operation of capitalistic growth-development theoretical apparatus, John introduced the new model which integrates the variables of freedom, democracy and human rights into the existing model. He developed the knowledge sector in growth theories with two new concepts of 'micro knowledge' and 'macro knowledge'. Micro knowledge is what an individual learns from school or from various existing set of knowledge and macro knowledge is the core philosophical thinking of a nation that all individuals inherits. Combination of both these knowledge would determine further growth that leads to economic development of developing nations. Yet others believe that a number of basic building blocks need to be in place for growth and development to take place. For instance, some economists believe that a fundamental first step toward development and growth is to address property rights issues, otherwise only a small part of the economic sector will be able to participate in growth. That is, without inclusive property rights the informal sector will remain outside the mainstream economy.

Growth Measured by GDP

The gross domestic product (GDP) is the god of all indicators. The GDP is an extremely comprehensive and detailed report. But it has several weaknesses. GDP does not include non-market and informal activities like unpaid house workers, volunteer work, barter, transactions of informal sectors, illegal trade or black market.

It does not consider how the wealth of a nation is distributed equally. For example GDP provides an estimate of each person share of the market economy but in reality some people share of the economy is greater than others. This level of unequal distribution of incomes and consumption and the incidence of poverty cannot be determined by tracking the GDP.Some GDP measured expenditures do not contribute to Economic Welfare. It does not account for any welfare loss or any negative events that results from an event such as a natural disaster environmental cleanup or reconstruction effort contributes to welfare and the GDP



The GDP sets a bad example for business.Governments send signals of what's important. They influence companies to track and do well on what they consider important enough to measure. But the GDP is myopically focused on the economic aspect of the triple bottom line and ignores the environmental and social bottom lines and fails to track the aspects of sustainability.

Growth Measured With Other Indices

New efforts have been made to gather data on social and economic development to devise alternatives to GDP that monitor social and economic progress. Two alternatives are: Genuine Progress Index (GPI), Human Development Index (HDI) andNet Economic Welfare (NEW).

Measuring Quality of Growth by GPI

GPI was created by a US non-profit research group called Redefining Progress to incorporate social costs (pollution, crime, etc.) into growth measurement (GDP). GPI starts from the same personal consumption data which GDP is based on. Then, it is adjusted by subtracting important destructive costs, and adding social and economic benefits. For example, it adds the value of time spent on household work and volunteer work, and subtracts expenditures for security systems; hospital bills, etc. (see Cobb et al., 1995).

There are ten major adjustment groups: household and volunteer work, income distribution, crime and family breakdown, resource depletion, pollution, long-term environmental damage, changes in leisure time, defensive expenditures, life span of consumer durables and public infrastructure, and dependence on foreign assets.

For example, the number of hours for voluntary activities is considered as social benefits and the worth of such activities is calculated by the hours and the minimum wage level. These adjustments are made to calculate GPI for Japan. Based on this GPI calculation method, Japan's GPI was calculated by a group of Japanese researchers (Ohashi et al., 2003) and they found a huge discrepancy between GDP and GPI for the last four decades. Although the growth in GDP was traced as an upward-moving curve, the growth in GPI was traced as a relatively flat line. This implies that a substantial proportion of GDP growth has been made at the expense of environmental degradation, social instability and increased crime, which raises critical questions about the importance and effectiveness of economic growth in ensuring true social and economic welfare. Interestingly, unlike GDP, GPI has not changed much for the last three decades in Japan. This suggests that GDP growth has not incorporated social costs incurred by economic activities aiming at high economic growth performance.

Measuring Quality of Growth by HDI

HDI was developed by the UNDP in 1990 (UNDP, 1990), based on Amartya Sen's capability concept and approach (Sen, 1985). Since then it has become popular among development practitioners and researchers.HDI has three major components of development indicators: income, education, and health.

Population growth should not be used as the scapegoat to rationalize the lack of distributive justice between the developed and developing nations. Gandhi had the right words to describe the situation, and his insight still applies: "The earth has enough for everyone's need but not for anyone's greed."

The latest HDI ranking put Japan at 11th in the world (UNDP, 2005), which is consistent with our general views about Japan's development: it has a solid economic base, high educational attainment, and strong health services. However, the place of Japan in the world ranking of HDI has been gradually declining from 1st in 1993 to 11th in the latest figures, which might be influenced by the sluggish economic performance after the bubble economy collapsed in the 1990s.

GPI and HDI have contributed significantly conceptualizing economic growth and social development. However, these indicators do not deal well with capturing ''quality'' of education, health and growth in income. For instance, educational indicators of HDI do not count students who refuse to go to school, variations in the type of schooling, or the number of bullying incidents. Health indicators only tell us the average life expectancy at birth and disease infection rates. Data on health promotion and disease prevention are quite limited. Thus, national HDI does not tell us much regarding the quality level of National Health Service provisions other than how long people could live it also; HDI does not provide any assessments on the basis of social dimensions such as gender, ethnicity, etc.

Another problem with conventional indicators is that they do not use qualitative information (people's subjective perceptions about their lives and their life choices) to evaluate economic and social advancement of their own life. A person's self-reported life satisfaction (subjective well-being) needs to be examined to check whether their perceptions and objective well-being indicators are consistent with one another. It is important to explain why conventional well-being measures are skewed toward quantitative rather than qualitative, especially economic measures. Economists avoid measuring directly people's life satisfaction by defining one's absolute utility level as a proxy for one's overall well-being, although Adam Smith observed that high income eventually fails to increase people's life satisfaction. Rather, neo-classical economics treats utility as ''decision utility'' (Frey and Stutzer, 2002), which suggests one's satisfaction after one has made choices for certain combinations of goods and services, rather than satisfaction based on one's own unique choice combinations of goods and services that may not even be consumed by others. In other words, utility defined by neoclassical economics tells us little about individual satisfaction with the person's unique choice of goods or services. Such a decision utility cannot tell us whether a certain economic action (behavior) will bring satisfaction, without comparison to other economic actions. Unfortunately, in modern economics, this utility notion has been a fundamental assumption underlying many economic theories and models that influence policy design and performance assessment. However, because of growing ''dissatisfaction'' with the utility concept, new efforts are now emerging to capture better people's subjective life satisfaction. On this front, psychology has been particularly active (Diener, 1994; Veenhoven, 1996; Diener and Suh, 2000).

Some economists, including Sen (Sen, 1999), have advocated an alternative way of looking at the welfare of people by applying an interdisciplinary method that combines the knowledge of psychologists, sociologists, medics and economists. One critical component in this endeavor is being able to fully utilize people's qualitative information, or ''voices,'' towards evaluating the overall progress of a society and its economy from the viewpoint of an individual. In the next section, we will examine how different well-being measures are, if they are built based on objective economic measures or subjective information, and how people perceive their life.

Measures of Growth as per NEW

Net Economic Welfare (NEW) is a concept of a broader measure of economic welfare than gross national product (GNP) as it adjusts GNP by attempting to put a value on the costs of pollution, crime, congestion, and other 'negative' spill offs, in order to find a better measure of true national income. To date, it has not been widely adopted.

Net Economic Welfare also means adjusted measure of total national output, including only the consumption and investment items that contribute directly to economic well-being.Calculated as additions to gross national product (GNP), including the value of leisure and the underground economy, and deductions such as environmental damage.

Key to Happiness

We live in an age of stark contradictions. The world enjoys technologies of unimaginable sophistications; yet has at least a billion people without enough to eat each day. The world economy is propelled to soaring new heights of productivity through ongoing technological and organizational advance; yet is relentlessly destroying the natural environment in the process. Countries achieve great progress in economic development as conventionally measured; yet along the way succumb to new crises of obesity, smoking, diabetes, depression, separation, juvenile crime, rapes, violence and other ills of modern life. If we act wisely, we can protect the Earth while raising quality of life broadly around the world. We can do this by adopting lifestyles and technologies that improve happiness (or life satisfaction) while reducing human damage to the environment. "Sustainable Development" is the term given to the combination of human well-being, social inclusion, and environmental sustainability. We can say that the quest for happiness is intimately linked to the quest for sustainable development.

Most people agree that societies should foster the happiness of their citizens. British philosophers talked about the greatest good for the greatest number. Bhutan has famously adopted the goal of Gross National Happiness (GNH) rather than Gross National Product. China champions a harmonious society.

The Bhutan case study tells the story of GNH in Bhutan, a story of exploration and progress since the King declared in 1972 the goal of happiness over the goal of wealth. Happiness became much more than a guidepost or inspiration; it became an organizing principle for governance and policy-making as well. The Gross National Happiness Index 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.

The Sustainable Development Goals should have four pillars. They are Sustainable and equitable socio-economic development, environmental sustainability/ preservation, social inclusion/promotion and preservation of culture, good governance.

If we want to influence the levels of happiness and misery, we need to know what causes them. When we think of each individual, every one of us has his/her own genetic make-up, but the person he/she becomes dependent on the interaction of those genes with the environment they encounter. Together, genes and environment determine the main features of a person's life – both those that are very "personal" and those that are more clearly "external" among the more "external" factors, key determinants of happiness include: income, work, work environment and load, community and governance, working span/day, values and ethics. Among the more "personal" features, key determinants include: mental health, physical health, quality of family life, education, gender and age.Thus a person's happiness at a point in time is determined by the whole of her life course. The current external features of her life are important, but so are the personal features that have developed over the previous course of her life.

Happiness Level across The World

In the Gallup World Poll respondents are asked (using fresh annual samples of 1,000 respondents aged 15 or over in each of more than 150 countries) to evaluate the quality of their lives on an 11-point ladder scale running from 0 to 10, with the bottom rung of the ladder (0) being the worst possible life for them and 10 being the best possible. We begin with this ladder measure, which we sometimes refer to as the Cantril ladder, because it currently covers the widest span of countries Happiness, like income, is unequally distributed within and among nations. However, the variation of happiness across the world's population is largely within countries, while this is much less so for incomes. The primary reason for the difference is that income is one of the supports for happiness, and most of the other supports are much more evenly spread across countries. However, some of the economically poorest regions and countries also have lower trust and weaker social relations, both of which have strong links to happiness.

The Study

To find out the relation between the growth in terms of income earned and happiness in terms of leisure enjoyed or quality time spent with family and peer groups. A sample survey (150 Households) was conducted with the target population of working couples, working housewives and working bachelors and self-employed engaged mostly in private corporate sectors.

Result

From the study it was derived that: The average satisfaction of the respondents was 8 out of 10. Majority of them cannot pursue their hobbies.Most of the respondents think that they require more family time. Seventy Percent (70%) of the respondents opted for more leisure hours.The average level of satisfaction or happiness of the respondents on a scale from 0 to 10 resulted to be 6.7. The study also revealed that high income does not imply high level of satisfaction. Although people earn a lot, which gives them some satisfactions but their well-being is compromised.Seventy Percent (70%) of the respondents had a monthly family income of above Rs 70000. Still they were unsatisfied with the amount of quality family time they got. The demand for more leisure hours was apparent. Earning more means financial stability but they fetch a little time to pursue their hobbies and passions which in turn supports happiness. Hence the happiness or rather their well-being is compromised. The main problem thus comes down to the lack of time which makes it impossible for them to go for vacations or even spend time with their families. Moreover, a constant stress of work takes a toll on their health. The level of mental peace of most according to the survey is low and disturbed which implies that the level of wellbeing is low, although the income rate is veryhigh.

Conclusion and Suggestions

In order to both measure and improve happiness levels, we must understand that both external and personal features determine well-being. Many of these factors have a two-way interaction with happiness – physical health may improve happiness, while happiness improves physical health. Many variables have powerful effect on happiness, including social trust, quality of work, freedom of choice and political participation. While basic living standards are essential for happiness, after the baseline has been met happiness varies morewith quality of human relationships than income. Policy goals should include high employment andhigh-quality work; a strong community with high levels of trust and respect, which government can influence through inclusive participatory policies; improved physical and mental health; support of family life; and adecent education for all. Four steps to improve policy-making are the measurement of happiness, explanation of happiness, putting happiness at the center of analysis, and translation of well-being research into designand delivery of services. Economic progress does notn ecessarily imply social progress

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