



- DRAFT PAPER -

THE POLITICS AND ECONOMICS OF HAPPINESS: A NEW APPROACH TO EXISTING PROBLEMS¹

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What should societies – and with them policy makers – look for? Is “progress” still a valid a notion and the ultimate public good towards which science and economy should be oriented? Can happiness be an effective alternative to GDP when it comes to measuring quantity of well being and the fairness of its distribution? Are markets and democracy still mechanisms capable to better allocate scarce resources amongst different possible uses? How can we better account for the interests of future generations? Is the western civilization suffering a crisis of its own values and should be a concern of politics and states to respond to such crisis? Can happiness be the analytical and communication key to reconsider the political and economic problems that mainstream politics and economic science appear not to be able to address any more and for political debates to engage increasingly disillusioned public opinions and young generations?

The sort of radical questions that we just mentioned are not new. It is the very economic science that has long questioned its own theoretical and ethical building blocks and that has first engaged into a search for a revision of the metrics, instruments and thus policies that it normally employs to read the world and to recommend changes. This somewhat technical debate is, however, becoming one of the central theoretical investigations within a much broader debate that is ignited by phenomena like the increasing concern about the possible catastrophic consequences of economic growth on environment and the well being of future generations, but also the weakening on a moral plane of the enlightenment based western, developed society, its retreat against more spiritual, sometimes even fundamentalist visions of the world. More recently the last crisis has made the debate on happiness even more useful and urgent because the crisis has not only been of financial and real economy, but it is also perceived as a crisis of intellectual instruments that we employ to understand reality. Commissions like the one that Sarkozy has established, but also the research that institutions like the OECD have conducted all demonstrate that happiness is becoming more and more important to policy makers, academia and media. But how can we transform a fashionable discussion into useful recommendations for policy makers, firms, NGOS, universities? How would the main problems that we have been debating for years – Europe, democracy, inclusion, competitiveness – look like if we reconsider them using the spectacles of happiness?

We believe that the debate can be in fact unbundled into two main areas of reflection.

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The first one is about what we may call “the politics of happiness”. Here the main issue is about objectives: a reflection on the aims that (mostly western) societies have been establishing for themselves for the last decades and the issue of a rethinking of them. Here the issue are mostly two: the first is on the legitimacy, effectiveness of having states, local and international communities pursuing happiness (as the American constitution solemnly puts upfront on its pedestal of values); the second is on the mechanisms through which people should “specify” what makes them happy and thus on democracy. We therefore focus the first area of debate to be sub divided in two sub issues that may correspond to two work groups:

1. **The politics of happiness (1):** ethics and happiness as an objective of a society. Should states pursue happiness (as in the American constitution)? Would the answer change if we substitute the notion of “state” with the one of “communities” or if we refer to “local communities”? Is happiness necessarily an individual notion or we may even have some “collective” dimension of it? Is there a crisis of “values” of the Western society meaning by values the ones (tolerance, enlightenment, trust into technologies and science, progress) that have characterized them? Is the “clash of civilizations” also a clash between a weakening and still dominating vision of the world and one that may be more traditional and, yet, more adequate to our times? Could the two visions be integrated and could immigration, for example, be an opportunity to do so or a further dramatization of differences? Could the happiness paradigm better account for better distribution of welfare amongst different places (different countries, different segments of population) and different times (different generations), giving a more concrete political sense to the “sustainability” of progress?
2. **The politics of happiness(2):** democracy and global governance. How do we define happiness and how could we increase it? Is representative democracy still a valid mechanism to establish collective wills and consensus? Are polls an alternative or when and in which area should direct democracy’s scope be expanded, and what about innovations in democracy like the one envisaged by participatory democracy (where people’s opinions are, in fact, not any more limited to express a vote)? Which mechanisms can better account for children and future generations and to increase the priority attached to longer term political objectives like education? How do we solve the problem of decision making against global problems, are states based mechanisms still without alternatives or should we consider local communities as actors of global governance processes (as for instance as a response to failures like the one that we had in 2009 with the Lisbon Treaty and Copenhagen)?

The second area of reflection should, instead, deal with what we may broadly name “the economics of happiness”. The structure would be similar to the one we just described. The first part will deal with the definition and measurement of well being; the second with the mechanisms by which well being can be increased and thus it will be the notion of markets the one that will be discussed:

3. **The economics of happiness (3):** economics and measurements of well being. Can we continue to remain satisfied with the ways we measure the evolution of societies’ well being and, more specifically the most important mainstream indicator of economic performance - the GDP²? Which could be the most effective alternatives and why do they still fail to

² On the limits of GDP and its possible alternatives some of the greatest economists have widely written and amongst them the Nobel prizes winners Joseph Stiglitz and Amartya Sen Commission on the Measurement of Economic Performance and Social Progress, Daniel Kahneman (that with Tversky attempted an integration between economics and psychology - Prospect Theory: An Analysis of Decision Under Risk, 1979), Richard Layard (author of Happiness) and Director of the Centre for Economic Performance at the London School of Economics and Political Science. Vision also wrote on the subject with Demos in its very first project on “good life”.

become the tool that could guide policy makers? Is, more generally, the notion of (economic) growth still acceptable and popular? Is it doable?

4. **The economics of happiness (4):** market successes and market failures. How can we increase well being ? Are – where they exist - increasing levels of inequalities acceptable? Are, more specifically, the salaries to some executives a problem that politics should deal with? Even if we assume that traditional economic measurements are valid are markets still capable to fulfill their main goal which is to allocate scarce resources to the most productive uses (and thus to reward the people, the firms, the products that are able to increase the “value” to consumers and to eliminate organizations that are not able to innovate)? What did the crisis achieve in terms of making financial markets more competitive and more stable (whereas a trade-off between competitiveness and stability may exist)?

A framework like the one we described makes, therefore, happiness a key to re-thinking and re-engaging with existing, widely debated problems in entirely new and possibly more effective ways.

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