

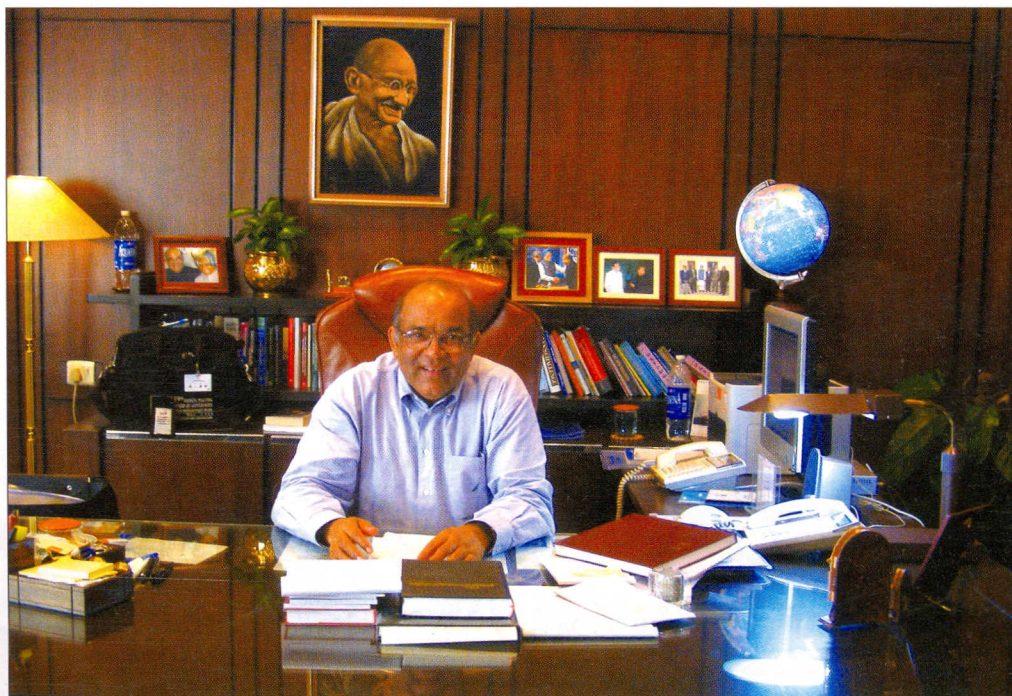
Understanding Happiness : Some Random Thoughts

Dr. Y V Reddy, Governor

With stress and strain almost taking over today's work-a-day world, one thing all of us are looking for all the time is happiness. That it plays truant and eludes us most of the time is of course another story. As Lealand Yeager, the utilitarian, had put it, the fundamental value judgment of economic theory is "approval of happiness and disapproval of misery". After all, in the last resort, the products of an economic system are valuable for the satisfaction to which they give rise in human beings. How happiness can be promoted in our real lives? Is it by promotion of wealth, education, freedom, equality, health, personal control, intimate relations, self-actualization, a combination of all these or is it something else! Read on this insightful, incisive and interesting introspection by our Governor, Dr. Y.V. Reddy, into making sense of what holds the key to the most sought-after ingredient of our lives.

I have been given the opportunity to give a special address on a topic of my choice and the choice happens to be "Understanding Happiness: Some Random Thoughts".

Why this topic? Of course, it is not controversial. It provides me some relief from the caution required of me whenever I speak on a subject relating to economics, monetary policy or financial matters. Also I wanted to select a topic which will be of interest to all the disciplines and not confined to the discipline of economics or commerce.



When I joined the Osmania University as a Research Scholar in 1960, I presumed that I was seeking happiness but I realize now that I had no understanding of what it was. In fact I was playing by the ear and focused on the immediate, not even being conscious that I was pursuing some means towards what could have been happiness. I presume that most of us started in the University with no idea of what we were seeking. After 45 years, I am still not sure what I am seeking. But, however, in a very abstract sense, all of us think that we are in some way seeking happiness. My attempt today is to try and understand happiness at

least at this stage of life. I want to be clear that our pursuit today is understanding happiness and not exploring means of achieving it or remedies for unhappiness.

Please be forewarned that these are random thoughts on the subject – collated from literature and adapted to my

personal inclinations. As Alumni let us have fun exploring together what this elusive, subjective but all-important subject of happiness holds forth.

Conceptual Issues relating to Happiness

Jean Jacques Rousseau said: "Every man wants to be happy, but

in order to be so he needs first to understand what happiness is". So in a way, understanding happiness is not all that purposeless.

Sociologists define happiness as the degree to which a person evaluates the overall quality of his present life as a whole positively. In this definition, we may be excluding pleasant sensations and we may often experience moments of happiness.

Is happiness same as pleasure since the latter is individual experience and could even get exhausted by usage? Is it

that some live from one pleasure to another and some find happiness by achieving a sense of meaning in their lives? Is happiness a respite from suffering? And some of you may know the story of Tenali Ramakrishna where happiness is equated with relief from attending to call of nature after prolonged obstruction.

On reading in the newspapers about my lecture on 'Happiness', my Guru, Shri B.P.R. Vithal sent me a copy of his manuscript titled "The limitations of Happiness" written by him in 1995. An extract from the manuscript on relationship between happiness, pleasure and pain given below is, indeed, enlightening.

"Pleasure and pain are easier to define because they both have sensory origins, but few would equate happiness with pleasure or even with an algebraic sum of pleasure and pain. Though some pain may actually give rise to happiness as in the case of martyrs, in general, a reduction of pain results in a direct increase of happiness. The relationship between pleasure and happiness is, however, more complex. None would deny a causal relationship between pleasure and happiness but few would insist on a one-to-one relationship. All pleasure is not, in equal measure, happiness as would be evident from the extreme case where pleasure may actually cause unhappiness due to some socially determined moral considerations. How much of pleasure results in happiness, is socially and psychologically determined.

Happiness, however, has an element in it which is more than this complex and transformed input of sensory pleasure and pain, an element which may be called cerebral. The cerebral element, as the term itself indicates, arises in the brain and should not be confused with a 'spiritual' element. The cerebral component of happiness may itself have had a sensory origin initially."

Shri Vithal elaborated the impact of Science and Technology on pain and pleasure. To the extent Science had helped reduction in pain (especially physical pain, disease, etc.), it has had a positive effect on happiness. Technology had dramatically increased the opportunities, scope and depth of sensory pleasure available to beings,

but the extent to which sensory pleasure got reflected in human happiness was also governed by what he calls 'cerebral' factors which may negate the positive effects of sensory pleasure on happiness. Perhaps, the complex dynamic of impact of Science and Technology so carefully crafted by Shri Vithal garu has been validated by more recent research on the impact of Television on human happiness.

It may be possible to relate happiness to activity – say average of happiness in eating may be more than in preparing food for eating. So, we revert to the question how much of happiness is related to internal brain waves and how much to external, namely activity.

We often feel instinctively that better physical health means happiness but any qualified medical practitioner will also tell us that happiness improves our physical health. Therefore, there is an interactive relationship between health and happiness; but then how much of these are internal and how much external.

Does happiness depend on outside factors or is it basically internal to each person? It is reported that in the late 19th Century doctors noticed that people with brain injuries on the left side behind the forehead, were more likely to be depressed than if it was on the right side. It means that source of good feeling is on left side behind the forehead and source of bad feelings is behind the right hand side of the forehead. Some hold that the net or natural measure of happiness is the difference in activity between left and right sides of the forebrain!



Professor Daniel Gilbert in his book "stumbling on happiness" (2006) holds that the word happiness is used to indicate at least three related things, which might be roughly called emotional happiness, moral happiness and judgmental happiness. Emotional happiness, it is argued, is the most basic of the trio.

One way of defining happiness is to say it means feeling good – preferring that the same feeling to be maintained. If it is accepted that happiness relates to feeling, then the appropriate way of asking people are surveys. But then there is a complication – namely, volatility in feelings. Feelings fluctuate day to day, hour to hour and from activity to activity.

The nature of subjective experience that happiness is, suggests that there will never be "happyometer". Of all the flawed measures, it is argued that "real time report of the attentive individual is the least flawed". Further, imperfection in measurement is always a problem but it is not a serious problem if we do recognise the imperfections while drawing inferences. Professor Gilbert refers to several relevant factors, namely, filling in trick of the brain (subconscious additions to reality to arrive at a complete picture), presentism (tendency for current experience to influence ones view of the past and the future), rationalization (the act of causing something to be or seem to be reasonable), corrigibility (capacity for being corrected, reformed or improved), etc.

In the concluding section of the book, Professor Gilbert makes some significant observations on the subject. He states that most of us make three important decisions in our lives, namely where to live, what to do and with whom to do it. For most part of human history, people did not have to make such choices - they were pre-ordained situations. Now that most people have to make these choices in the modern days, the issue is how to make choices that enhance happiness. Professor Gilbert holds that human beings have the unique capacity to imagine. He concludes: "But foresight is a fragile talent that often leaves us squinting, straining to see what it would be like to have this, go there or do that. There is no simple formula for finding happiness. But if our great big brains do not allow us to go sure-footedly into our futures, they at least allow us to understand what makes us stumble".

Empirical Studies:

Empirical studies have indicated some very interesting results and I will draw heavily from Prof. Richard Layard's book "Happiness – Lessons from a new science" (2005).

First, it is interesting to note that people in the United States have been working for longer hours compared to Continental



Europe where there are more holidays, but productivity per hour has been around the same. In the United States, people are not happier than fifty years before although living standards have more than doubled. In Continental Europe, the position is slightly more encouraging but overall, the change in happiness over the years is small when compared to the huge increase in the incomes. In USA, there is greater stress on work than in Europe. So is the observed difference in levels of happiness between the two related to work- life balance?

Second, while overall happiness has not risen over the past half century in many developed countries, there is increasing concrete expression of unhappiness among the societies such as trends in depression, alcoholism and crime. So, is it that prosperity may or may not assure happiness but causes, perhaps selectively, deep unhappiness? When comparison is made amongst the countries, the effect of income on happiness is greatest in the poorest countries, especially when they are close to subsistence level. The surveys also show that the variations amongst the countries in terms of happiness were accounted for by six factors (some factors positively and others negatively co-related) – divorce rate, unemployment rate, level of trust, membership in non-religious organizations, quality of Government and fraction of those who believe in God. This is another area where both policy-makers and families, in developing countries like ours, need to introspect and prospect.

Third, when some people become richer compared to other people, they become happier while when whole society

becomes richer, they do not become happier to the same extent. So, relative position seems to be important for happiness. Analytically, it has been found that relationship between happiness and income depends on two things - what other people get and what the person himself is used to getting. In other words, "social comparison" and "individual habituation" determines the level of happiness.

In this regard, "social comparison" with other people can be at different layers of intensity. The most intense rivalry is within the organization and within the families. In fact, it has been found that if your spouse earns more than you, you are less satisfied with your own job.

"Habituation" essentially relates to addiction to income and the addiction to income is reinforced by more and more spending, often induced by advertisement and not necessarily to the level of income. So, friends we have a good basis to know what could matter more for happiness and what may indicate less of the sought-after happiness. It appears that happiness arising out of getting a better job, a jump in income or higher status lasts, as per surveys, for no more than two years. In practical terms, they say, all actions and feelings are incremental and not substantive. Further, even at the increment, there is an asymmetrical effect of positive and negative factors on happiness. Thus, while an improvement of ten per cent in income may enhance happiness by, say x , the reduction in income by ten per cent reduces happiness by a multiple of x , double or triple x .

Fourth, what are the factors that, in reality, affect happiness? On the basis of data available, seven factors affecting happiness are: family relationship, financial situations, work, community and friends, health, personal freedom and personal values, in that order.

A review of the seven sources of happiness, the "Big Seven", shows that some of them have improved over the last fifty years, namely, health, income and quality of work while deterioration is observed in regard to family relationship, community and friends and values. The adverse impact of television on "community and friends" as well as "values" has been an area of significant academic interest. This influence of TV on happiness, I believe, is a very critical observation for all of us to ponder, both policy-makers and families.

It is interesting to note that there are five less important factors for happiness, though in popular perception they may be considered to be relevant. These are age, gender, looks, intelligence (IQ) and education.

Fifth, a report in Financial Times dated March 3, 2007 mentions that health is the best gauge of national happiness. According to a recent research paper, based on a Eurobarometer survey of 15,000 people in 16 European countries, nations regarding themselves as happy reported

lower levels of hypertension. Similar relationship is found in regard to mental health. Professor Oswald, one of the authors, commented that there appeared to be a link between insecurity and unhappiness; and the generous social security systems operated by countries such as Denmark appear to diminish insecurity and fear. Thus stability, especially macro-economic, financial and price stability, which is of prime concern for RBI, perhaps contributes significantly to happiness by reducing some elements of insecurity.

Economics of happiness:

Let me now refer to a new field in economics namely, economics of happiness. I will draw heavily from an article by Carol Graham in the World Bank Journal titled "Insights on Development from the Economics of Happiness" (2005) and write-up in Economist titled "Economics discovers its feelings" (December 19, 2006). The study of happiness or subjective well-being is a recent development in economics. While in the past economists, such as Jeremy Bentham were concerned with pursuit of happiness, the recourse to surveys for measuring individual happiness is a recent development. Most studies are based on a very simple set of survey questions that ask respondents "How satisfied are you with your life and how happy are you with your life?"

The literature on economics of happiness in developed economies finds discrepancies between reported measures of well being and income measures. One of the observations is that average happiness levels do not increase as countries grow wealthier - described as Easterlin Paradox.

The way that most people spend their time is similar across countries and cultures - working and trying to provide for their families. So, concerns they express when asked about happiness are similar. Easterlin's finding is that wealthy people tend to be happier than poor people in the same



country, but there is no such relationship across countries or over time. Further, expectations also adapt upward with economic progress and hence, gains in incomes may impact happiness through a process of moderation, induced by rising expectations.

The discrepancy between reported and income based measures of happiness was sought to be explained by suggesting that absolute income levels matter up to a certain point – particularly when basic needs are unmet – after which relative income difference matter more. In other words, there is a stronger relationship between income and happiness at the lower income levels close to subsistence while there is weaker relationship at the higher income levels. This observation, like the one related to security and stability mentioned earlier in this address, has policy-significance to the RBI. There is greater contribution to enhancement of happiness if the attention of the RBI is focused to serve the common person, especially those with lower incomes.

In analysing the link between relative income levels and happiness, it is possible that some social norms or cultures tolerate inequality more than others. Anecdotally, it is suggested that tolerance to inequality in United States is more than in Continental Europe. It is said that when a pedestrian watches an expensive Mercedes Benz car pass by, in USA the pedestrian looks for a day when he would drive such a car while in the Continental Europe, the pedestrian looks for a day when the Mercedes Benz car driver would join him as a pedestrian!

Are there limits to happiness? It can also be argued that there can be upper bound for happiness while economic progress may not have such an upper bound. This is not merely a philosophical statement but confirmed by several surveys. The upper bound of happiness has been experienced all through human history but the upper limits to wealth and income keep going up and up from time to time.

Above all, in recent years, economists have started exploring inward feelings and pleasures taken and not merely outward behaviour and choices made on the basis of "economic rationality" or "bounded rationality". I hope they succeed.

Have there been any studies on economics of happiness in India? There may be some, but it is interesting to us that Dr. Jai Chander's (one of our RBI Officers) thesis for PhD was on "relationship between constituents of welfare and income - a need based approach". The study examines the determinants of well being on the basis of primary data collected in parts of the State of Haryana. The findings

underscore the importance of growth but at the same time, emphasise the need to enhance economic security. The importance of longer life span as a source of happiness is referred to and lack of automatic relationship between income and life span necessitates attention of public policy to improvement of health services.

Before concluding, I must refer to an interesting concept called "Gross National Happiness" (GNH) adopted as a goal of public policy by Government of Bhutan a few years ago. The concept has been welcomed by all, though the operational significance of GNH vis-à-vis Gross Domestic Product is questioned by many. It is sometimes mentioned that soon after establishing GNH as a goal of public policy, Bhutan decided to permit introduction of television, which was banned for a long time. So, is it that individual happiness will be determined by inexorable forces of technology and globalisation - irrespective of the individual's happiness or inclination of national public policy?

As a central banker, it is important to consider the issue of happiness in the context of what has been described as "trade-off" between growth and inflation. Studies show that positive effect of marginal increase in income is less than the negative effect of corresponding decrease in income. Inflation often results, at least in the short-run without doubt, in a gain in income for some and a loss in income for most others. The decrease in happiness of those who experience loss of income due to inflation is significantly more than the increase in happiness of those who experience increase in income. Inflation, in general and on the whole, as it happened globally in 1970s, generates more unhappiness than otherwise. So, in addition to relevance of stability and concern for common-person mentioned earlier in the address, RBI's strong commitment to contain inflation has a positive impact on happiness.

Some argue that many good things in life are "positional" – you can enjoy them only if the others don't. There are others who find deep satisfaction from losing themselves in their work while some others are happy eating or gardening. Neither of these have immediate links with incomes.

So, we get back into the main issue: how much of happiness is due to external and how much is due to internal factors? How far is happiness related to sensory as distinct from cerebral? How would recourse to contemplation or meditation influence the sensory or cerebral factors impacting happiness? If happiness is internal to an individual, how much is pre-ordained by the wiring in the brain and how much is external to, what is fashionably called, "DNA". I will let my four grandchildren explore this as many of my ancestors did!

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