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AN ASSESSMENT OF ECONOMIC DEVELOPMENT AND HAPPINESS: COMPARISON OF COUNTRIES WITH DIFFERENT INCOME LEVELS[1]

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Abstract

In a Robinson Crusoe economy, Robinson is alone on an island. If we think about his consumption on the island, Robinson represents both the labor of hunting and gathering to find food and the consumer who buys the food that Robinson collects. There is no barter system or money in Robinson's economy. Robinson meets all his needs by working himself. However, in the real economy, the use of technology in production systems has become a necessity since the limited physical power of the labor used in production slows down mass production. The technology used in production systems has enabled the labor to work using less physical effort. However, the cost of access to these technologies has led to a widening of the development gap between countries that can access or produce these technologies and others. While the countries producing these technologies are getting richer, other countries have become dependent on these products making them poorer. The concept of happiness, which has been discussed for almost half a century, has also occurred at different levels for these two groups. In this study, the answers to whether the social welfare created by technology with economic growth affects individual were investigated.

Happiness and Income

Today, it is quite difficult but important to question happiness in a more complex structure in the real economy. Recently, economists have put forward ideas that happiness should be at the center of the economy. Oswald (1997) stated that economic issues interest people as much as they make people happy. Therefore, people want more money or more goods and services to increase their happiness (Ng, 1997).Thus, people with higher income levels are happier than people with lower incomes (Bruni, 2004). Consequently, high-income countries rank first in the happiness rankings. However, happiness, which is relative and differs from person to person, can be defined as a paradox because the state of happiness, which varies from person to person, contains many parameters. These can be time, place, income, and expectations. For this reason, happiness as a response to subjective well-being is highly open to interpretation and controversial.

Since happiness is mostly associated with income level, it appears as an economic concept. As an economic agent, one way to increase the happiness of consumers, namely people, is to buy more goods and services and have a higher income level accordingly. Frey and Stutzer (2001) stated that income can buy happiness. There is a positive relationship between income and happiness (Caporale et. al., 2009).

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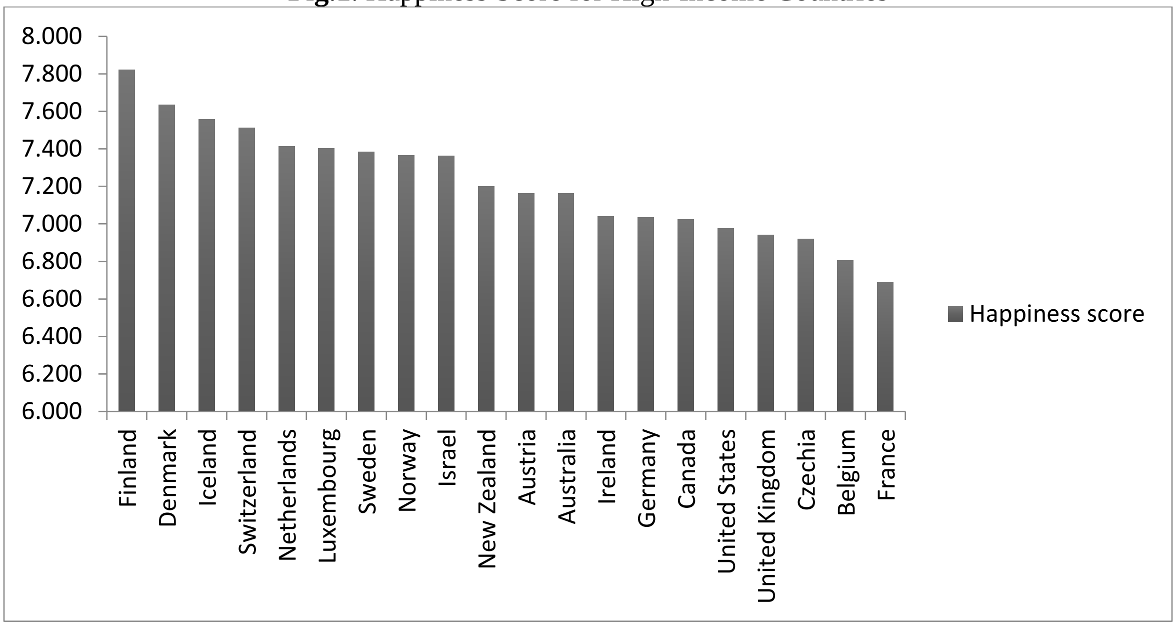
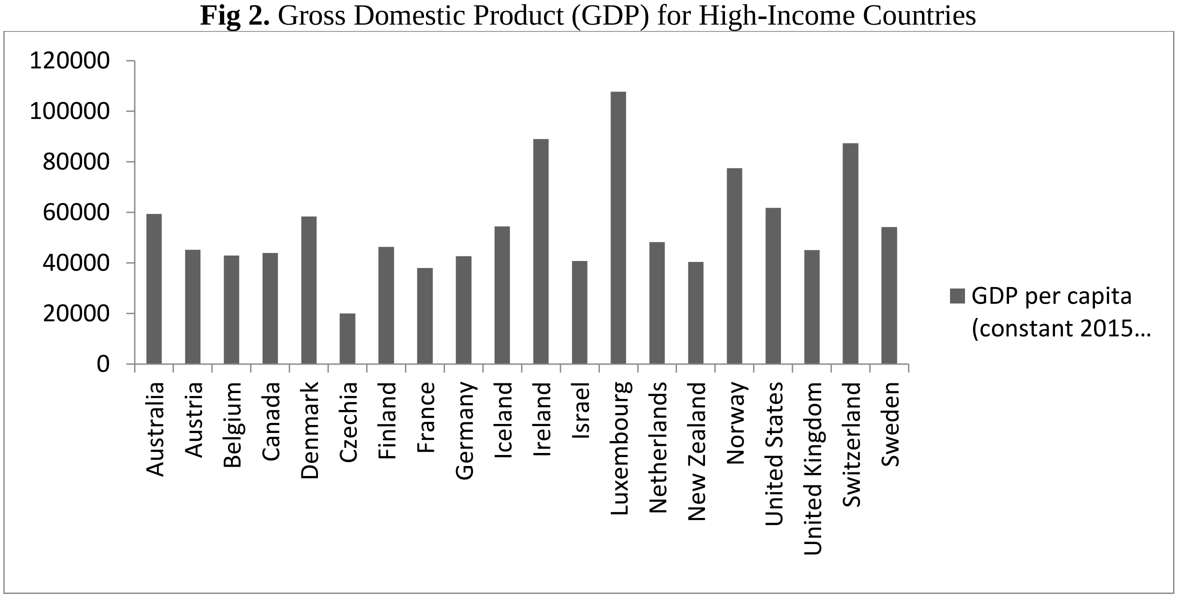
According to Easterlin (2003), the happiness paradox is when the correlation between income and happiness continues linearly up to a certain point, but after a certain point, the effect of income on happiness decreases. Happiness scores of developed countries are given in Fig.1 and their incomes per capita are given in Fig. 2.

Fig.1. Happiness Score for High-Income Countries



Source: World Happiness Report (2022)

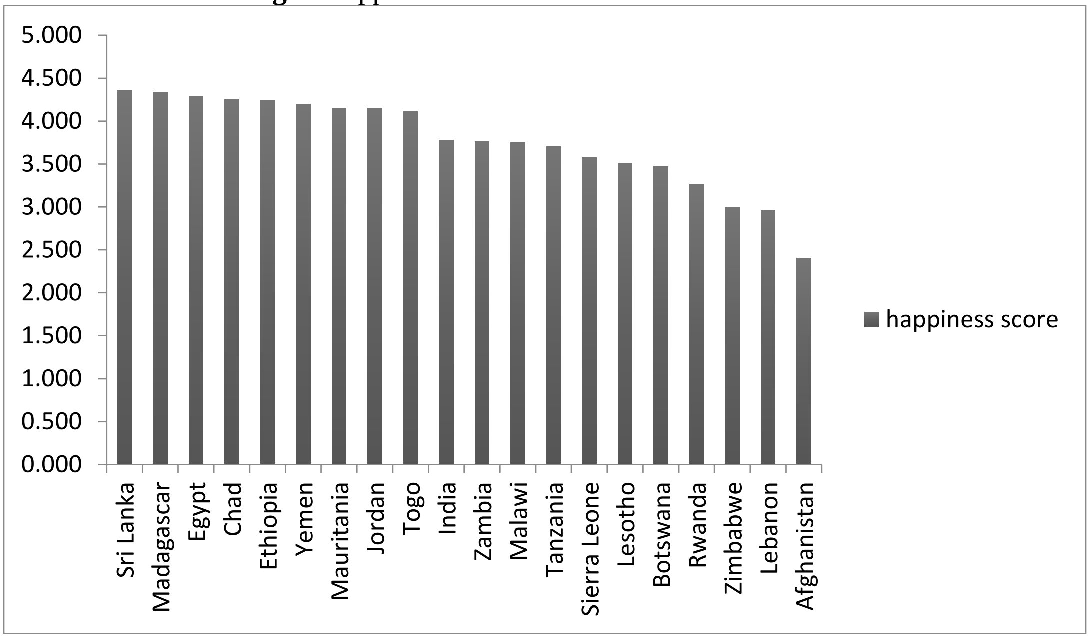
Fig 2. Gross Domestic Product (GDP) for High-Income Countries



Source: Worldbank, World Development Indicators

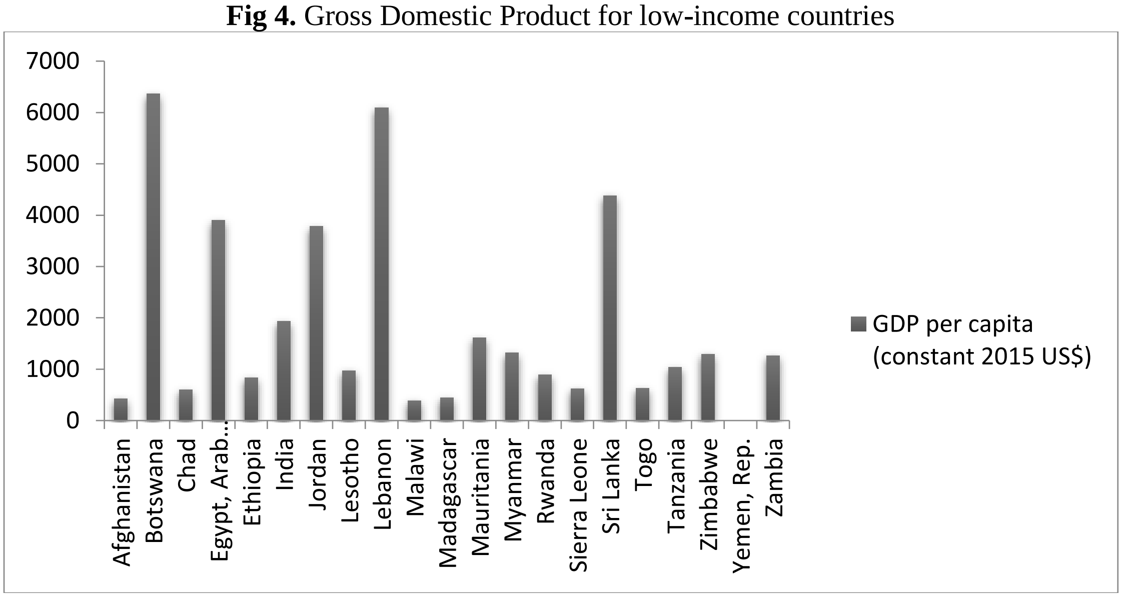
Figures 1 and 2 show that the relationship between income and happiness is generally positive. However, in France, which has a very similar per capita income to Finland, the same happiness score has not been achieved.

Fig 3. Happiness Score for Low-Income Countries



Source: World Happiness Report (2022)

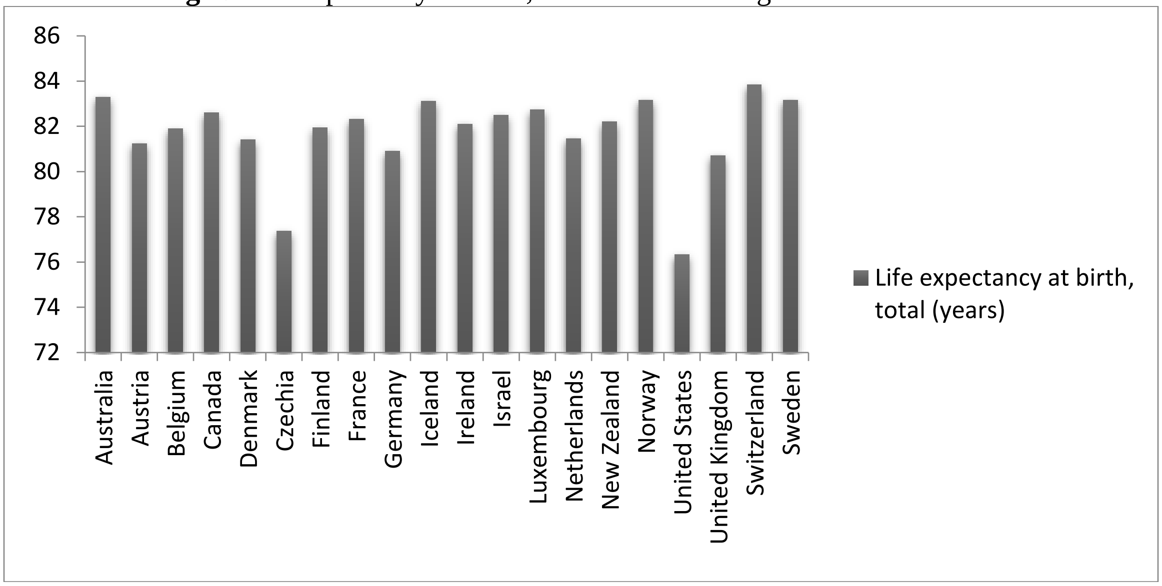
Fig 4. Gross Domestic Product for low-income countries



Source: Worldbank, World Development Indicators

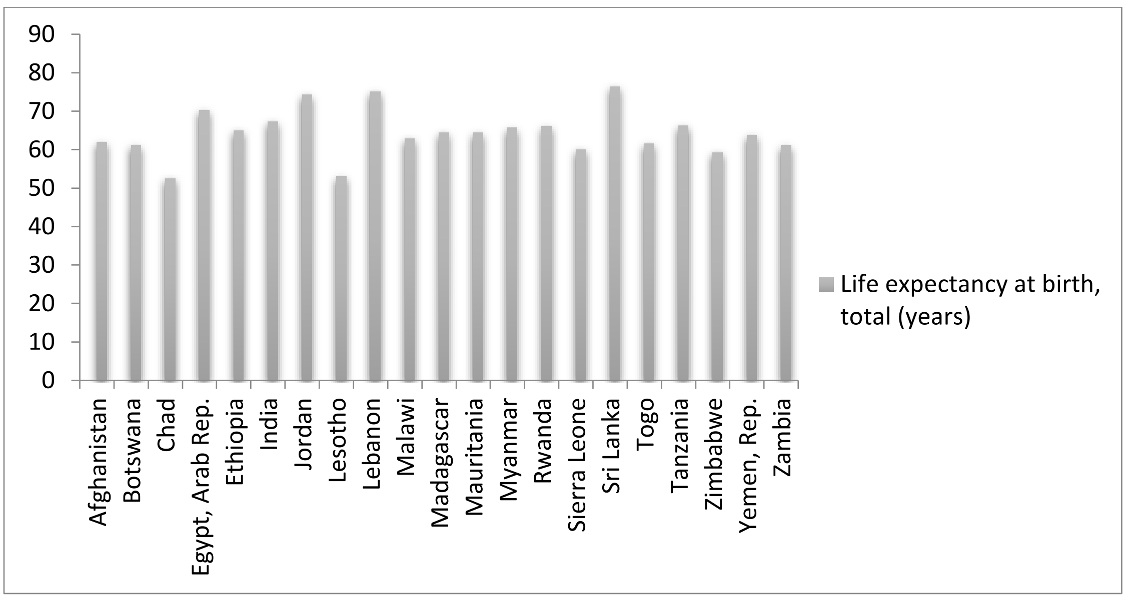
The correlation between income and happiness in developed and high-income countries is much weaker in developing and low-income countries. Happiness scores of low-income countries are shown in Figure 3 and per capita incomes of low-income countries are shown in Figure 4. Happiness scores are also declining in low-income countries. The limited access to necessities such as nutrition, education, and health in low-income countries is also reflected in the average life expectancy. Fig 5 shows the life expectancy in high-income countries and Fig 6 shows the average life expectancy in low-income countries. When comparing Figures 5 and 6, it is evident that life expectancy in low-income countries is approximately 70, whereas in high-income countries, it reaches around 80. This discrepancy highlights an additional observation: certain studies indicate that longer life expectancy not only positively influences the accumulation of human capital but also stimulates economic growth (Galor and Tsiddon, 1997; Oketch, 2006; Fleisher et. al., 2010; Heckman and Yi, 2012). For human capital to create economic growth, basic services such as education and health must be spread over the social base and distributed evenly. Thus, economic growth is both a result and a condition of human capital (Mincer, 1984).

Fig 5. Life Expectancy at Birth, Total Years for High-Income Countries



Source: Worldbank, World Development Indicators

Fig 6. Life Expectancy at Birth, Total Years for Low-Income Countries



Source: Worldbank, World Development Indicators

Conclusion

Although economic development and happiness seem to be intertwined concepts for low-income countries, it is imperative to ensure that the society has access to essential services such as education and healthcare and that the society facilitates the accumulation of human capital.Therefore, it is imperative to implement policies aimed at enabling low-income countries to evolve into productive societies and gain economic power. The initial step in this process involves enriching education to a level that can effectively address global demands. Simultaneously, efforts must be made to enhance access to healthcare services. Moreover, it is crucial to boost investments in research and development (R&D) and acquire public support for high-tech production.

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