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ECONOMY AND HAPPINESS - QUESTIONING RELATIONSHIPS

Abstract: *Happy and satisfied people should definitely be in the center of interest of every state. There is no doubt that even today, economists and politicians lightly associate people's happiness with macroeconomic outcomes. The logic is not unfounded, but it is too simplistic and even partly inaccurate for the simple reason that it is based on the belief that economic growth (gross domestic product, GDP) and macroeconomic stability (public finances, prices, exchange rates) bring an increase in income and decline unemployment, and that it is crucial for citizens to be satisfied. However, GDP growth in a country does not necessarily provide greater satisfaction or, more simply, the happiness of citizens, which confirms a large number of empirical studies (the well-known Easterlin paradox). Broadly (and more correctly), the degree of happiness depends on health (physical and mental), corruption, air pollution, education, crime rates and a sense of security, the quality of public services, social relations and the like. As scientific methods, a descriptive method was used to describe the problem, data and characteristics of the observed phenomena and processes, and a method of generalization for making general conclusions. Overall, the results showed once again why the Scandinavian countries are the happiest countries in the world, precisely because they are always best ranked according to all the most popular and most frequently used indicators that measure SWB globally.*

Key words: *economics of happiness, new economic paradigm, World Database of Happiness, happiness determinants*

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1.INTRODUCTION

The living standard of the people and the prosperity of the country are determined not only by material factors, but also by the subjective feelings of satisfaction and happiness that are directly related to the quality of life. About that, since the end of the 20th century, a new, promising and relevant approach known as the economy of happiness has been actively developed at the junction of psychology and economics in the field of economics. The economy of happiness is an interdisciplinary field of economics that combines knowledge from economics with knowledge from other sciences, primarily psychology and then sociology. The economy of happiness explores which economic phenomena (apart from increasing income) contribute to an individual's happiness.

There are considered to be several main causes due to which today's economies fail to become economies of happiness, and these are: 1. Low awareness and insufficient education about the connection between the economy and sustainable development, 2. Errors in management policies, 3. Insist on short-term development instead of strategic long-term planning, 4. Inequality and unfair distribution of resources, 5. Human weaknesses, mostly greed. On the other hand, the economics of happiness as a new, relevant and promising trend within economics has been actively developing since the end of the 20th century and was created at the junction of psychology and economics.

The paper starts from the basic premise according to which happiness does not depend only on economic indicators and crucially on macroeconomic results, although happiness and economic prosperity can be significantly related. In other words, GDP growth in a country does not automatically provide greater satisfaction or, more simply, the happiness of citizens. The feeling of happiness is determined by health (physical and mental), level of corruption, air pollution, education, crime rate and sense of security, quality of public services, social relations, etc.

The paper argues that happiness has always prevailed in society as a positive emotion and a reflection of our satisfaction with a particular area of our lives. In a broad sense, happiness is associated with something good, with the quality of life and well-being of society, so to justify this in the work it consists of three main parts, in which the validity of the claim will be checked and proven. The paper is dealing with considering the relationship between economics and happiness and it is structured to consist of three parts. The first part discusses and explains in more detail the economy of happiness, which aims to measure the subjective quality of life. In the second part, the subject of interest is the framework, thoughts, implications and recommendations of the new economic paradigm, which, among other things, is brought into close connection with the concept of happiness. The third part summarizes some of the most important and most popular indices within the SWB at the world level, which looked at the not very praiseworthy position of our country.

2.ECONOMY OF HAPPINESS - THE PLACE OF HAPPINESS IN ECONOMIC THEORY AND CONCEPT ANALYSIS

In society, happiness is an emotion that is characterized by pleasure and in a broad sense means something good, while referring equally to individual and social well-being. In general, happiness can mean a positive mood, a global assessment of life satisfaction, living a

good life, or causes that make people happy, with an interpretation that depends on the context. The world base of happiness[1] defines happiness as a subjective pleasure in life as a whole, how much someone likes the life they lead, ie the degree to which an individual judges the overall quality of life as favorable. Happiness in the narrow sense represents individual subjective enjoyment and satisfaction with life, that is, the degree to which an individual his whole life perceives favorable, pleasant.

In the center of interest of the economy of happiness is the measurement of people's happiness, ie. subjective well-being, from which it follows that happiness = SWB. Overall, subjective well-being can be modeled in microeconometric happiness function as follow:[2]

$$W_{it} = \alpha + \beta X_{it} + \varepsilon_{it}. \tag{1}$$

And while well-being is a latent variable, $X = x_1, x_2, ..., x_n$ they can be considered as well-known variables and refer to the individual i at time t, and may concern social, environmental, economic and institutional conditions, as well as sociodemography and socioeconomic characteristics. Among economists, the standard approach to public policy is to think of social welfare (W) as an additive aggregate of individual happiness, H_i, perhaps with diminishing marginal social welfare attaching to increments of individual happiness[3]:

$$W = \sum_i f(H_i) \quad (f' > 0, f'' \le 0), \tag{2}$$

where H_i is an empirically measurable value, but $f(\ )$ reflects the ethical perspective of whoever uses these data in public debate. There are two extreme versions of the $f(\ )$ function. In the Benthamite version, we just add up everyone's happiness:

$$W = \sum_i H_i, \tag{3}$$

and in the Rawlsian version, we just look at the happiness of the least happy person:

$$W = \text{Maximin} (H_i). \tag{4}$$

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[1]   Veenhoven Ruut (2009): "*World Database of Happiness - Tool for Dealing With the "Data-Deluge."* Psychological Topics, vol. 18, br. 2, 2009, 221-246

[2]   See: Frey Bruno, Stutzer Alois (2004): "*Happiness Research: State and* Prospects." Center for Research in Economics, Management and the Arts, Working Paper No. 2004 - 10, CREMA, Gellertstrasse 24 CH - 4052 Basel. (2004)

[3]   See:Well-Being Measurement and Public Policy, Richard Layard, URL: http://www.nber.org/chapters/c5058

Economy of happiness,[4] offers a systematic and comprehensive overview of the postulates of usefulness and well-being, including economic behavior. Among the most important authors in the field of the economy of happiness who deal with subjective well-being are: Bernard van Praag, Richard Easterlin, Nic Marks, Benjamin Radcliff, Bruno Frey, Med Jones, Jan-Emmanuel De Neve, Andrew Oswald, Ruut Veenhoven, Richard Layard, and others. Richard Easterlin was the first modern economist to revisit the concept of happiness, beginning in the early 1970s. It is well known "Easterlin paradox" which indicates that, although all data show that richer people show greater satisfaction with life, there are also marginal indicators that prove that people's perception of their own well-being depends not only on their income in absolute terms, but also on their relative position in relation to income distribution.

There are two key reasons for economists' interest in studying happiness:[5]

1. economic policy - For some individuals, social action also means higher costs, which makes it difficult to reach a universal solution in terms of Pareto improvement, which emphasizes the need to evaluate the net effects in terms of individual utilities. Therefore, a compromise is needed between unemployment and inflation when it comes to priority areas of economic policy;

2. the fact that the well-being of the individual is strongly determined by the quality of institutional capacities, which primarily refers to the size of social capital and the quality of governance performance.

Research within the economy of happiness sheds light on the hitherto neglected processes within the discipline and concern:[6]

(1) Additional satisfaction that is initially provided by additional material goods and services is of a transitory nature and is lost with continuous consumption which, in circumstances of constant or repeated stimulus, relativizes the hedonistic effects - the so-called hedonic adaptation.

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[4]   See, for example: Layard Richard (2006): "Happiness and Public Policy: A Challenge to the Profession." *The Economic Journal*, 116(510), C24–C33, DOI: 10.1111/j.1468-0297.2006.01073.x; Easterlin Richard *et.al.* (2010): "The happiness–income paradox revisited.", *Proceedings of the National Academy of Sciences*, 107(52), 22463–22468; Frey Bruno, Stutzer, Alois (2002): "The Economics of Happiness.", *WORLD ECONOMICS*, Vol. 3, No. 1, January–March 2002, 1-17; Mahadea Darma (2012): "On The Economics of Happiness: The Influence Of Income And Non-Income Factors On Happiness.", *SAJEMS NS*, 16 (2013) No 1, 39-51; Layard Richard (2005): *Happiness: Lessons from a New Science*, New York: Penguin Press; Ralašić Tina, Bogdan Željko (2018): "Sreća i ekonomska aktivnost." [Happiness and economic activity]. *Ekonomski pregled*, 69(4), 350-395; Frey Bruno, Stutzer Alois (2010): "*Happiness: A New Approach In Economics.*" Happiness and Economic Policy, CESifo DICE Report 4/2010, 3-7; Graham Carol (2005): "The Economics of Happiness - Insights on globalization from a novel approach.", *WORLD ECONOMICS*, Vol. 6, No. 3, July–September 2005, 41 - 55; Stutzer Alois, Frey Bruno (2012): "*Recent Developments in the Economics of Happiness: A Selective Overview.*" DISCUSSION PAPER SERIES, IZA DP No. 7078, December 2012, Forschungsinstitut zur Zukunft der Arbeit Institute for the Study of Labor; Nikolova Milena, Graham Carol. (2020): "*The Economics of Happiness.*", GLO Discussion Paper, No. 640, Global Labor Organization (GLO), Essen.

[5]   Frey Bruno, Stutzer, Alois (2002): "The Economics of Happiness.", *WORLD ECONOMICS*, Vol. 3, No. 1, January–March 2002, 3.

[6]   Frey Bruno, Stutzer Alois (2010): "*Happiness: A New Approach In Economics.*" Happiness and Economic Policy, CESifo DICE Report 4/2010, 4.

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(2) People compare their own position with relevant others where it is believed that people with a higher level of income by definition have a higher level of relative income and consumption, and consequently, a stronger status in society.

3.WELL-BEING AND HAPPINESS: DEFINING A NEW ECONOMIC PARADIGM

There is no doubt that GDP is the official barometer of business cycles, an essential measure of living standards and an unavoidable measure of government performance. However, also, more recently, it is believed that GDP is a specialized tool for measuring market activity rather than national welfare and GDP actually tends to rise with societal problems such as crime, pollution, household, debt, commuting time, and family breakdown. The scatterplot 1 clearly show that people in richer countries tend to report higher life satisfaction than people in poorer countries.

If we talk about the effectiveness of future policies, the depth of the economic downturn, in addition to the different trajectories of the COVID-19 virus, will be strongly determined by the quality, speed, precision and effectiveness of economic policy measures in terms of preventing short-circuit negative demand spirals and corporate insolvency, and stabilization of the financial market, as well as strengthening and expanding health care capacities. An effective policy that takes care of the aforementioned measures, after the abolition of "social distancing", it is more likely that contraction and recovery will take a V-shape, or possibly a U-shape if the bottom of the contraction is drawn out. In the case of inefficient and inadequate policies, however, the trajectory of economic output is more likely to take the shape of the letter L in the time to come.[7]

The New Economic Foundation (NEF) has offered a global manifesto for a happier planet whose proclaimed goals are as follows:[8]

1) *Eradicating extreme poverty and hunger* [There is an urgent need to redesign global systems in terms of a more equal distribution of things that people rely on in their own daily lives (for example, income and access to land, food and other resources)]

2) *Improving healthcare* [The happiness of people in a society is closely related to the high life expectancy, which, in turn, is a consequence of favorable living conditions and strong health care. The following global challenges are inevitable: halt the rise in diseases such as HIV/AIDS and malaria, increase access to clean water, and reduce child and maternal mortality]

3) *Relieving debt* [Ensuring a basic standard of living at the expense of raising the level of financial debt can be considered as one of the essential features of developing countries. When designing sustainable debt paths, the level of revenue that the government can achieve without deepening poverty or compromising future development should be taken into account]

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[7]   World Economic Forum (2020): *Emerging Priorities and Principles for Managing the Global Economic Impact of COVID-19*. Chief Economists Outlook, April 2020, World Economic Forum, 91–93 route de la Capite, CH-1223 Cologny/Geneva, Switzerland.

[8]   New economics foundation (2006). T*he Happy Planet Index, An index of human well-being and environmental impact*. This report was produced with the support of Friends of the Earth England, Wales and Northern Ireland and the AIM Foundation, available at: www.happyplanetindex.org, 5, 43-44

4) *Shifting values away from individualism and material consumption, and towards social interaction* [Wherever possible, the government should instead of encouraging the promotion of materialist values, show a higher level of sensitivity for local community initiatives, sports teams, arts projects and so on.]

5) *Providing support for a meaningful life by respecting the theoquins of civic, cultural and social life, as well as achieving an optimal balance between private and business life.* [Governments must adequately value and reward the sacrifice and contribution of each individual to the overall economic, social, cultural, and civic life and provide adequate compensation for the efforts made and unpaid work. As far as employers are concerned, their priority should be to provide their employees with the opportunity to reconcile private and business life, for overall personal and professional development at work, and for flexible working hours].

6) *Empowering citizens and promoting open and good governance.* [It starts from the fact that the active participation of citizens in democratic processes results in a more vibrant and dynamic society, and consequently happier citizens. Promoting inclusive, resilient and efficient public governance is invaluable for achieving long-term prosperity, which essentially means eliminating systemic corruption at all levels, strengthening the rule of law and optimizing institutional performance.]

7) *Working towards one-planet living by consuming within our environmental limits* [Prolonged environmental degradation can be caused when the ecological footprint, as a measure of the earth's biocapacity, is stretched too much. The official policy of the government around the world must be the protection of the environment and its preservation for future generations, and the dominant doctrine is the so-called One-planet living, with an adequate and timely policy and time schedule in order to translate the mentioned doctrine into practice.]

8) *Designing systems for sustainable consumption and production.* [It is necessary to stop the plunder of natural resources, ensure the conservation of our ecosystems and integrate the approach of sustainable development into the global community. In order for the price of goods to calculate the full environmental costs and encourage a change in behavior, environmental taxation could serve as a suitable instrument.]

9) *Working to tackle climate change.*

Scatterplot 1. Self-reported Life Satisfaction vs GDP per capita, 2017

Self-reported Life Satisfaction vs GDP per capita, 2017

The vertical axis shows the national average of the self-reported life satisfaction on a scale ranging from 0-10, where 10 is the highest possible life satisfaction.
The horizontal axis shows GDP per capita adjusted for inflation and cross-country price differences.
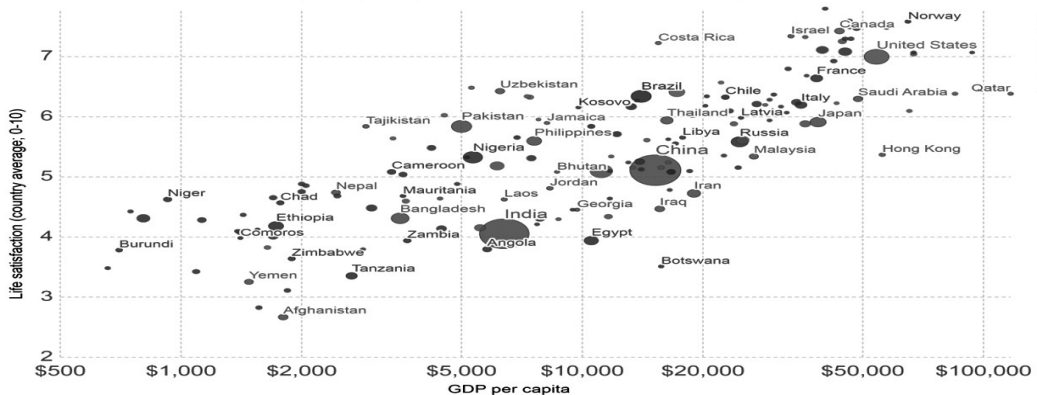
Source: World Happiness Report (2019), World Bank

OurWorldInData.org/happiness-and-life-satis

Source: https://ourworldindata.org/happiness-and-life-satisfaction

As we have witnessed, the pandemic of COVID-19 has laid bare the fragile economic, social, and environmental underpinnings of our world today. The SDGs provide an invaluable framework *to map out possible short-term and longer-term government responses to Covid-19* and to build back better - well known as - *The six SDG Transformations*[9] (see Table 1) - which can be implemented in every country to help address trade-offs and synergies across the SDGs. The six Transformations provide an action agenda for government ministries, businesses, and civil society to frame actionable strategies to achieve the SDGs and thereby make our societies more prosperous, inclusive, and sustainable, and thus happier.

Table 1. An SDG framework to map out possible short-term and longer-term government responses to Covid-19

Transformation 1: Education, Gender, and Inequality
- Expand and strengthen public social security systems best suited to address the consequences of disruptive events
- Further investments in STEM education, digital skills, equity, and lifelong learning
- Further streamline basic health prevention measures in school programs (e.g., hand-washing) and provide adequate supplies for good hygiene
- Place women's needs and leadership at the heart of the response to the health and economic crises
- Whole-of-government response (transversal)
- Increased role of government in key sectors (economy, health, food, social security)
- Re-think global supply chains and dependence for strategic equipment and materials
- Strengthen development cooperation to support recovery plans in countries most hit and in least developed countries
- Strengthen statistical capacity, and the availability of timely data
- Strengthen government capacities to anticipate and manage unforeseen disruptive events
- Strengthen international platforms, exchanges and transparency among scientists/researchers (open science)

Transformation 2: Health, Wellbeing, and Demography
- Strengthen the role of public health and disease prevention and surveillance (for both communicable and chronic diseases).
- Increase the role of public authorities in the research for treatment and vaccines, and in providing access to treatment and vaccines
- Accelerate efforts to achieve universal health care
- Strengthen public health emergency preparedness (including building stocks of essential equipment and increasing flexibility to mobilize staff to respond to emergencies)
- Reduce dependence on other countries for key health supplies and equipment

- Expand digital health solutions (e.g., telehealth) to reduce the burden on hospitals and increase access to care
- Increase the quality and timeliness of health statistics
- Increase the resilience of health systems to respond to shocks/crises (e.g., increase capacity to build hospitals and other infrastructures in record time)

Transformation 3: Energy Decarbonization and Sustainable Industry
- Use the Paris Climate Agreement as the vision for long-term change and to inform investment plans and bailouts
- Build on positive short-term prospects due to plummeting industrial output and further the roll out of digital services and e-commerce to accelerate the transition to climate neutrality
- Reduce international dependence for key industries and sectors in case of major disruptive events (e.g. protective masks, food supply)
- Pursue efforts to enforce environmental treaties and national regulations despite the lockdown and economic turmoil

Transformation 4: Sustainable Food, Land, Water and Oceans
- Strengthen food security and hygiene, including the reduction of risks of zoonotic diseases
- Emphasize the resilience and sustainability of food systems
- Accelerate efforts to provide universal access to water and sanitation, and increase focus on hygiene and handwashing to help curb transmission of oral-fecal diseases
- Pursue efforts to reduce negative impacts on biodiversity and ecosystems to prevent future pandemics

Transformation 5: Sustainable Cities and Communities
- Address immediate threats to vulnerable groups in urban settlements (homeless, refugees), to avoid a deep worsening of their living conditions and to make confinement measures more effective
- Strengthen the territorial distribution of doctors and availability of care, including in rural areas
- Further integrate vulnerable groups in urban settlements, including homeless people, refugees, and migrants
- Adapt public transportation systems to the need for physical distancing and hygiene, and to changing patterns in working and commuting habits
- Develop integrated territorial strategies to address the impact of travel restrictions on business, exports, and tourism activities

Transformation 6: Harnessing the Digital Revolution for Sustainable Development
- Further expand digital health solutions to reduce the burden on hospitals and increase access
- Develop and use online education tools
- Further development of other digital government services and e-commerce
- Further investments in STEMS, digital skills, equity, and lifelong learning
- Accelerate the adoption of measures that support a fair transition for workers affected by the digital and technological revolution

Source: Sachs Jeffrey *et. al.* (2020), 10-11

4. THE STATE OF HAPPINESS GLOBALLY AND IN SERBIA - FACTS AND VIEWS

Measuring the quality of life (and even happiness) is carried out by several world institutions and organizations, and among the indicators of quality of life we single out: *World Database of Happiness (WDoH), Misery index, World Happiness Report and Legatum Prosperity Index.*

The ***World Database of Happiness[10] (WDoH)*** refers to the research of the subjective enjoyment of citizens in life as a whole. The archive includes:

(1) distributional findings (how happy people are in particular times and places, which is estimated on the basis of two aggregate statistics (mean and standard deviation) and the 95% confidence interval around these)

(2) correlational findings (what things go together with more or less happiness).

In the mentioned database, the ranking of nations is done according to the following parameters: a) Average Happiness (see: Table 2); b) Happy LifeYears; c) Inequality of Happiness and d) Inequality adjusted Happiness.

Table 2. Average Happiness in 162 Nations 2010-2018

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[10]   See: https://worlddatabaseofhappiness.eur.nl/

How much people enjoy their life-as-a-whole on scale 0 to 10

	Code	Nation	Satisfaction with life (scale 0 - 10)	Number of surveys
1	AF	Afghanistan	4.0	6
2	AL	Albania	5.3	7
3	DZ	Algeria	5.9	1
4	AO	Angola	4.6	4
5	AR	Argentina	7.2	1
6	AM	Armenia	4.7	1
7	AU	Australia	6.9	1
8	AT	Austria	7.7	4
9	AZ	Azerbaijan	6.3	1
10	BH	Bahrein	6.3	7
11	BD	Bangladesh	5.0	7
12	BY	Belarus	5.3	1
13	BE	Belgium	7.5	4
14	BZ	Belize	6.1	2
15	BJ	Benin	3.7	6
16	BT	Bhutan	5.6	3
17	BO	Bolivia	6.3	8
18	BA	Bosnia Herzegovina	5.2	5
19	BW	Botswana	4.0	6
20	BR	Brazil	7.4	7
21	BG	Bulgaria	4.7	3
22	BF	Burkina Faso	4.2	7
23	BI	Burundi	3.8	1
24	KH	Cambodia	4.2	7
25	CM	Cameroon	4.8	7
26	CA	Canada	7.9	4
27	CF	Central African Rep	3.4	3
28	TD	Chad	4.1	7
29	CL	Chile	7.0	1
30	CN	China	6.5	1
31	CO	Colombia	8.2	1
32	KM	Comoros	4.0	4
33	CG	Congo (Brazzaville)	4.5	5
34	CD	Congo (Kinshasa),	4.6	6
35	CR	Costa Rica	7.8	7
36	CI	Cote d Ivoire	4.1	3
37	HR	Croatia	6.3	1
38	CY	Cyprus	6.6	3
39	CZ	Czech Republic	6.7	5
40	DK	Denmark	8.3	4
41	DJ	Djibouti	4.6	1
42	DO	Dominican Republic	5.5	6
43	EC	Ecuador	7.7	1
44	EG	Egypt	4.3	1

	Code	Nation	Satisfaction with life (scale 0 - 10)	Number of surveys
45	SV	El Salvador	6.4	7
46	EE	Estonia	6.4	6
47	ET	Ethiopia	4.7	5
48	FI	Finland	8.0	4
49	FR	France	6.7	4
50	GA	Gabon	4.5	7
51	GE	Georgia	4.5	6
52	DE	Germany	7.3	8
53	GH	Ghana	5.7	1
54	GR	Greece	6.0	2
55	GT	Guatemala	6.7	7
56	GN	Guinea	4.1	7
57	GY	Guyana	6.4	2
58	HT	Haiti	4.3	6
59	HN	Honduras	5.5	6
60	HK	Hong Kong	6.9	1
61	HU	Hungary	6.1	4
62	IS	Iceland	8.0	3
63	IN	India	4.8	7
64	ID	Indonesia	5.6	7
65	IR	Iran	5.1	5
66	IQ	Iraq	5.5	1
67	IE	Ireland	7.0	5
68	IL	Israel	7.6	4
69	IT	Italy	7.1	5
70	JM	Jamaica	5.7	2
71	JP	Japan	6.1	2
72	JO	Jordan	6.2	1
73	KZ	Kazakhstan	6.9	1
74	KE	Kenya	4.6	6
75	KR	Korea (South)	5.9	2
76	KO	Kosovo	6.2	1
77	KW	Kuwait	6.9	1
78	KG	Kyrgyzstan	6.6	1
79	LA	Laos	5.1	2
80	LV	Latvia	6.5	1
81	LB	Lebanon	6.1	1
82	LS	Lesotho	4.6	2
83	LR	Liberia	4.5	3
84	LY	Libya	5.8	4
85	LT	Lithuania	6.0	4
86	LU	Luxembourg	7.5	1
87	MK	Macedonia	5.2	6
88	MG	Madagascar	3.9	6
89	MW	Malawi	4.2	6
90	MY	Malaysia	6.8	1
91	ML	Mali	4.3	7
92	MT	Malta	7.1	1

	Code	Nation	Satisfaction with life (scale 0 - 10)	Number of surveys
93	MR	Mauritania	4.7	6
94	MU	Mauritius	5.9	2
95	MX	Mexico	8.3	1
96	MD	Moldova	6.3	7
97	MN	Mongolia	5.2	6
98	ME	Montenegro	5.6	7
99	MA	Morocco	5.5	1
100	MZ	Mozambique	5.3	1
101	MM	Myanmar	4.8	6
102	NA	Namibia	5.2	1
103	NP	Nepal	5.0	5
104	NL	Netherlands	7.6	11
105	NZ	New Zealand	7.4	1
106	NI	Nicaragua	6.2	7
107	NE	Niger	4.2	7
108	NG	Nigeria	5.8	1
109	NO	Norway	8.0	5
110	OM	Oman	7.5	1
111	PK	Pakistan	7.3	1
112	PS	Palestinia	5.1	1
113	PA	Panama	7.4	7
114	PY	Paraguay	6.1	8
115	PE	Peru	6.8	1
116	PH	Philippines	7.0	1
117	PL	Poland	7.0	6
118	PT	Portugal	6.0	4
119	PR	Puerto Rico	7.4	2
120	QA	Qatar	7.8	1
121	RO	Romania	6.8	2
122	RU	Russia	5.7	4
123	RW	Rwanda	6.1	1
124	SA	Saudi Arabia	7.0	7
125	SN	Senegal	4.3	7
126	RS	Serbia	4.9	1
127	SL	Sierra Leone	4.8	5
128	SG	Singapore	6.6	1
129	SK	Slovakia	6.9	2
130	SI	Slovenia	6.9	5
131	SO	Somalia	5.4	6
132	ZA	South Africa	6.0	2
133	SS	South Sudan	3.4	2
134	ES	Spain	7.0	6
135	LK	Sri Lanka	4.5	6
136	SD	Sudan	4.6	2
137	SR	Surinam	6.7	2
138	SZ	Swaziland	5.2	1
139	SE	Sweden	7.8	6
140	CH	Switzerland	8.1	6

	Code	Nation	Satisfaction with life (scale 0 - 10)	Number of surveys
141	SY	Syria	3.7	5
142	TW	Taiwan	6.6	1
143	TJ	Tajikistan	5.1	6
144	TZ	Tanzania	3.7	4
145	TH	Thailand	7.3	1
146	TG	Togo	3.4	4
147	TT	Trinidad and To-bago	7.2	1
148	TN	Tunisia	5.2	6
149	TR	Turkey	6.2	2
150	TM	Turkmenistan	6.1	6
151	UG	Uganda	4.3	5
152	UA	Ukraine	5.1	2
153	AE	United Arab Emi-rate	7.5	7
154	GB	United Kingdom	7.3	6
155	US	United States of Am	7.1	1
156	UY	Uruguay	7.3	1
157	UZ	Uzbekistan	6.2	6
158	VE	Venezuela	6.8	7
159	VN	Viet Nam	5.6	5
160	YE	Yemen	4.0	7
161	ZM	Zambia	5.2	4
162	ZW	Zimbabwe	5.3	1

Source: Veenhoven, R., *Average happiness in 162 nations 2010-2018.* World Database of Happiness. Rank report Average Happiness, available: worlddatabaseofhappiness.eur.nl/hap_nat/findingre-ports/RankReport_AverageHappiness.php

Table 3 and 4. shows the Distributional Findings on Happiness in Serbia (RS), according to the World Database of Happiness, which refer to our country as a not very happy nation, while the trends in the level of happiness for the observed periods are not very promising and optimistic. This situation in our country, as well as in other transition countries, is explained by the existence of the so-called "Transition happiness gap".[11]According to many economists this phenomenon can be explain by the dissatisfaction with their governments and their legal systems, the great macroeconomic instability of early transition, by a substantial decrease in the quality and accessibility of public goods, by the major increase in inequality, income volatility, stagnating labor market conditions, changing norms, and by the rapid depreciation of pre-transition human capital stock accumulated under central planning: skills acquired before transition turned out to be less useful in the market economy. It is to be expected that transition economies (including our country) can complete the transformation process and reach a level of quality of life comparable to that in the West by continuing

[11]   For detail see: Guriev Sergei, Melnikov Nikita (2017): "*Happiness convergence in transition countries.*", Working Paper No. 204, Prepared in September 2017, EBRD, 1-2

with the continuous improvement of institutions (proxied by the rule of law) and macroeconomic performance of the country.[12]

Table 3. Distributional findings on happines in **Serbia (RS)**

4-step verbal Happiness

Taking all things together, would you say you are?
- very happy
- quite happy
- not very happy
- note at all happy
very = 4 ..... not at all = 1

Year	On original range 1 - 4		On range 0 - 10	
	Mean	SD	Mean	SD
1996	2.80	0.73	6.35	2.16
2001	2.83	0.68	6.47	2.02
2006	2.69	0.73	6.01	2.21
Average	2.77	0.71	6.27	2.13

11-step numeral Happiness

Generally speaking, how happy do you feel?
10 - extremely happy
0 - extremely unhappy

Year	On original range 0 - 10		On range 0 - 10	
	Mean	SD	Mean	SD
2018	6.99	2.47		
Average	6.99	2.47		

10 item Yesterday Affect Balance

Did you feel yesterday (yes/no)
- well-rested
- treated with respect
- smile and laugh a lot
- learno or do something interesting
- enjoyment
- physical pain
- worry
- sadness
- stress
- anger

Rated:
0:no
1:yes

Computation: (A+B+C+D+E) - (F+G+H+I+J)

[12] For detail see: Nikolova Milena (2015): "*Minding the Happiness Gap: Political Institutions and Perceived Quality of Life in Transition.*" DISCUSSION PAPER SERIES, IZA DP No. 9484, November 2015, Forschungsinstitut zur Zukunft der Arbeit Institute for the Study of Labor, 2015

Year	On original range -100 - 100		On range 0 - 10	
	Mean	SD	Mean	SD
2006	28.00		6.40	
2009	14.00		5.70	
2010	16.00		5.80	
2011	16.00		5.80	
2012	17.00		5.90	
2013	17.00		5.90	
2014	23.00		6.20	
2015	24.00		6.20	
2016	30.00		6.50	
Average	20.56		6.04	

11-step numeral Best-Worst possible Life

Suppose the top of the ladder represents the best possible life for you and the bottom of the ladder the worsst possible life. Where on this ladder do you feel you personally stand at the present time?

- 10
- 0

Year	On original range 0 - 10		On range 0 - 10	
	Mean	SD	Mean	SD
2006	4.75	2.04	4.75	2.04
2007	4.75		4.75	
2009	4.38	2.05	4.38	2.05
2010	4.46	2.00	4.46	2.00
2011	4.81	2.21	4.81	2.21
2012	5.15	2.45	5.15	2.45
2013	5.10		5.10	
2014	5.11		5.11	
2015	5.30		5.30	
2016	5.80		5.80	
Average	4.96	2.15	4.96	2.15

3-step Feel Happy

Do you feel...?
- *happy*
- *fairly happy*
- *unhappy*

Year	On original range 1 - 3		On range 0 - 10	
	Mean	SD	Mean	SD
2011	2.08	0.71	5.15	1.51
2016	2.38	0.66	5.77	1.36
Average	2.23	0.68	5.46	1.44

Source: R. Veenhoven, *Distributional findings on Happiness in Serbia (RS)*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands.
Viewed on 2020-10-22 at worlddatabaseofhappiness.eur.nl .

Table 4. Happiness in Serbia (RS) - Current Happiness: place on rank lists of happiness in nations 2010-2018

HAPPINESS	AVERAGE HAPPINESS	HAPPY LIFE YEARS	INEQUALITY OF HAPPINESS	INEQUALITY ADJUSTED HAPPINESS
Possible ranges	0-10	0-100	0-3.5	0-100
Highest score	8.3. Mexico	66.8 Switzerland	1.41 Netherlands	73 Denmark
Serbia	**4.9**	**36.3**	**0.00**	**0**
Lowest score	3.4 Central African Republic	18.8 Central African Republic	3.16 Egypt	26 Egypt

Source: Veenhoven, R., *Happiness in Serbia (RS)*, World Database of Happiness, Erasmus University Rotterdam, The Netherlands
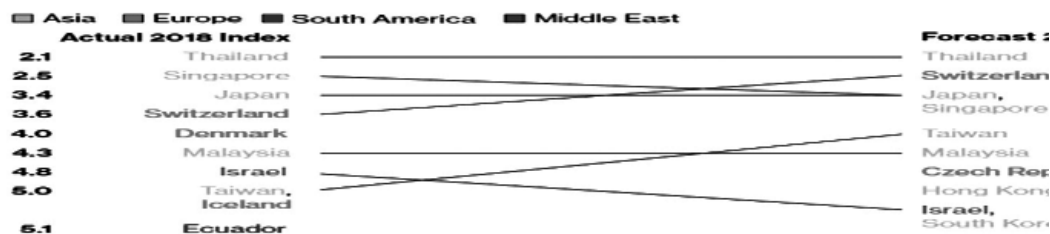
In the sphere of economics, misery tends to flow from high inflation, steep borrowing costs and unemployment. All other things being equal, a high level of happiness in society is a direct consequence of strong economic growth, low interest rates and inflation, and the creation of new jobs. The ***Misery index*** (for world rankings see Table 5 and Figure 1) is calculated by adding the seasonally adjusted unemployment rate to the annual inflation rate. As such, it reflects the average economic position of the citizens of a country where it is believed that rising unemployment and strengthening inflationary tendencies result in rising social and economic costs for a given country. According to Table 5, we see that two Latin American countries are ranked at the top according to the Misery Index: 1. Venezuela (turmoil in this country has been further fueled by skyrocketing hyperinflation, with citizens struggling to afford basic items such as food, toiletries, and medicine) and 2. Argentina (in this country volatility is generated by the monetary crisis due to the serious devaluation of the peso in 2018). What the two countries with the lowest misery index (Figure 1) have in common are extremely low unemployment rates, which in Thailand are the result of: (1) a strong "informal sector" —such as street vendors or taxi drivers — that accept unemployed citizens in the public sector, and (2) high levels of public investment, private and foreign direct investment, and strengthening tourism and the country's export performance.

Table 5. The Highest Misery Index Scores, 2019

RANK	COUNTRY	CONTRIBUTING FACTOR	MISERY INDEX SCORE
1	Venezuela	Inflation	1,746,439.1
2	Argentina	Inflation	105.6
3	Iran	Inflation	75.7
4	Brazil	Lending Rates	53.6
5	Turkey	Unemployment	53.3
6	Nigeria	Unemployment	43.0
7	South Africa	Unemployment	42.0
8	Bosnia and Herzegovina	Unemployment	38.2
9	Egypt	Lending Rates	36.8
10	Ukraine	Lending Rates	34.3

Source: https://propertyupdate.com.au/these-are-the-most-miserable-countries-in-the-world-in-fographic/

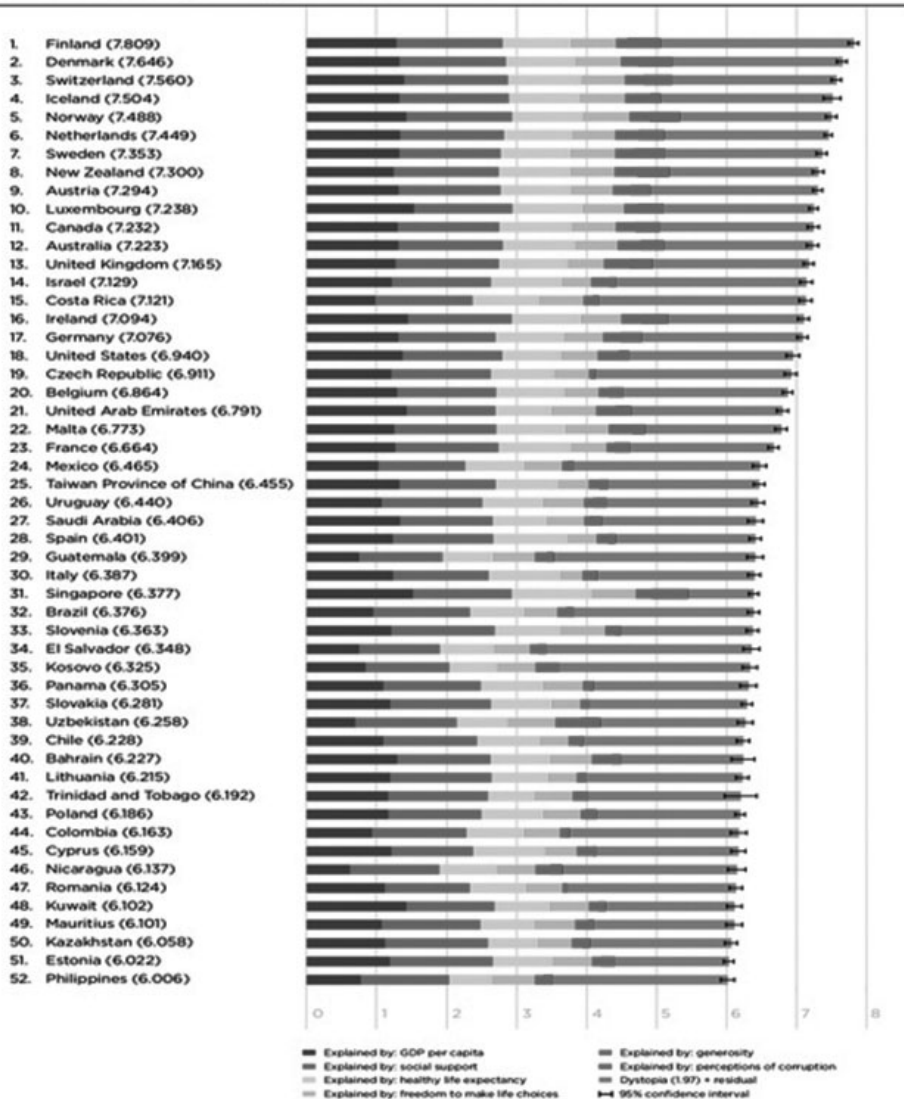Figure 1. Happy Place - Top 10 nations with the lowest Misery index score in 2019

Source: https://propertyupdate.com.au/these-are-the-most-miserable-countries-in-the-world-in-fographic/

The World Happiness Report is a landmark survey of the state of global happiness. In the ***World Happiness Report*** [13] for 2020 covering the 2017-2019 period to show how six key variables (GDP per capita, social support, healthy life expectancy, freedom, generosity, and absence of corruption) affect on happiness rankings of countries in the world. On Figure 2 we can see country rankings regarding to life evaluations (answers to the Cantril ladder question) for each country, averaged over the years 2017-2019, where horizontal lines showing the 95% confidence intervals.

Figure 2. Ranking of Happiness 2017-2019

Figure 2.1: Ranking of Happiness 2017–2019 (Part 1)

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[13]   See: Helliwell John *et. al.*, eds. (2020) *World Happiness Report 2020.* New York: Sustainable Development Solutions Network, available at: https://happiness-report.s3.amazonaws.com/2020/WHR20.pdf, 2020.

Figure 2.1: Ranking of Happiness 2017–2019 (Part 2)

53. Hungary (6.000)	
54. Thailand (5.999)	
55. Argentina (5.975)	
56. Honduras (5.953)	
57. Latvia (5.950)	
58. Ecuador (5.925)	
59. Portugal (5.911)	
60. Jamaica (5.890)	
61. South Korea (5.872)	
62. Japan (5.871)	
63. Peru (5.797)	
64. Serbia (5.778)	
65. Bolivia (5.747)	
66. Pakistan (5.693)	
67. Paraguay (5.692)	
68. Dominican Republic (5.689)	
69. Bosnia and Herzegovina (5.674)	
70. Moldova (5.608)	
71. Tajikistan (5.556)	
72. Montenegro (5.546)	
73. Russia (5.546)	
74. Kyrgyzstan (5.542)	
75. Belarus (5.540)	
76. Northern Cyprus (5.536)	
77. Greece (5.515)	
78. Hong Kong S.A.R. of China (5.510)	
79. Croatia (5.505)	
80. Libya (5.489)	
81. Mongolia (5.456)	
82. Malaysia (5.384)	
83. Vietnam (5.353)	
84. Indonesia (5.286)	
85. Ivory Coast (5.233)	
86. Benin (5.216)	
87. Maldives (5.198)	
88. Congo (Brazzaville) (5.194)	
89. Azerbaijan (5.165)	
90. Macedonia (5.160)	
91. Ghana (5.148)	
92. Nepal (5.137)	
93. Turkey (5.132)	
94. China (5.124)	
95. Turkmenistan (5.119)	
96. Bulgaria (5.102)	
97. Morocco (5.095)	
98. Cameroon (5.085)	
99. Venezuela (5.053)	
100. Algeria (5.005)	
101. Senegal (4.981)	
102. Guinea (4.949)	
103. Niger (4.910)	
104. Laos (4.889)	

Explained by: GDP per capita
Explained by: social support
Explained by: healthy life expectancy
Explained by: freedom to make life choices
Explained by: generosity
Explained by: perceptions of corruption
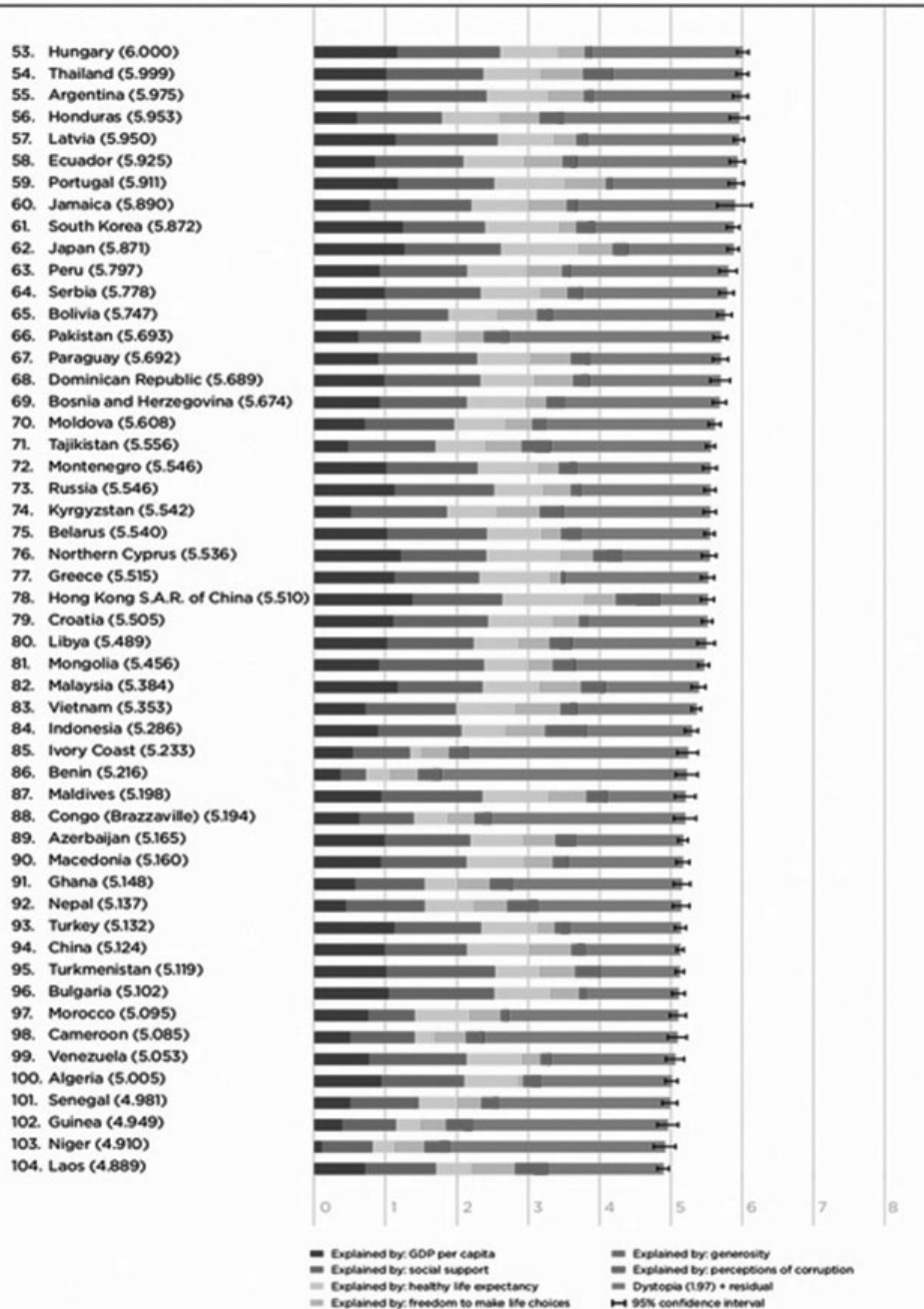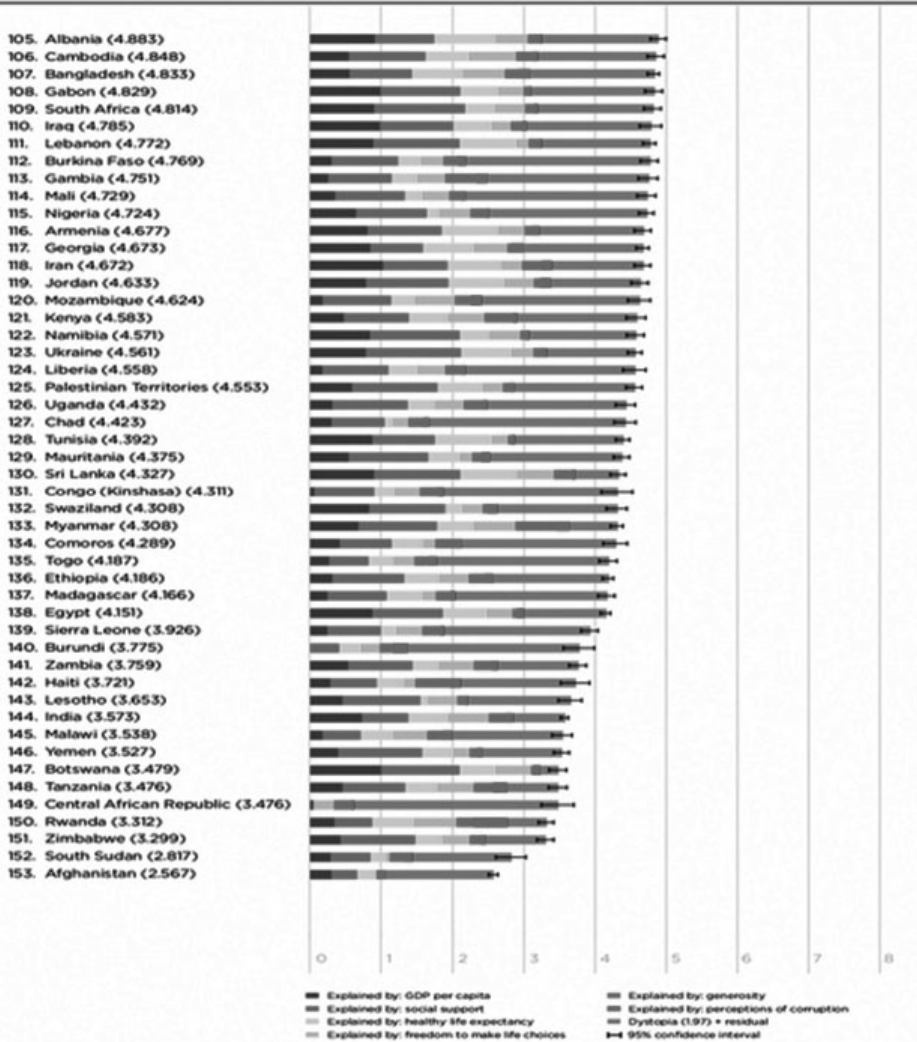Dystopia (1.97) + residual
95% confidence interval

Figure 2.1: Ranking of Happiness 2017–2019 (Part 3)

Source: Helliwell John *et al.*, eds. (2020)

According to the mentioned multiple indicators, among the Top 10 happiest nations in the world there are Scandinavian countries - Norway, Denmark, Sweden, Finland and Iceland. The happiest country in the world is Finland and this country is ranks particularly high in areas like GDP per capita, social support and freedom to make life choices. The determinants that explain Nordic excellence in terms of a consistently high level of happiness are:[14]

(1) Welfare state generosity (with extensive social benefits, income security in case of unemployment and the labor market which is regulated to avoid employee exploitation) -

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Unemployment benefits are in some cases above the basic minimum wage in the economies of these countries. An important feature of all Nordic countries is the presence of retirement schemes where the amount of pension depends upon the time the citizen has lived in the country, the wage or salary earned by him during his working tenure, the number of dependents a retiree has and whether he or she has earned special pension from other insurance schemes;

(2) Institutional quality (quality of government, effective and a highly democratic governance system based on political consensus and social arrangements) that promote continuity and stabilizing people's expectations - refers to a. democratic quality (access to power including factors such as the ability to participate in selecting the government, freedom of expression, freedom of association, and political stability) and b. delivery quality (it is about the exercise of power, including the rule of law, control of corruption, regulatory quality, and government effectiveness);

(3) Low levels of income inequality (egalitarian and equal societies with only small differences);

(4) Autonomy and the freedom to make life choices (liberated from material necessity, political oppression, and cultural intolerance) - the Nordic countries constitute the leading example of maximizing prosperity, successful modernization, political and personal freedom and social solidarity. Gender equality is higher than anywhere else in the world, and a high level of happiness is also present at the regional level;

(5) High level of social capital - Trust in other people (feeling connected to others, trusting them, and caring about them) and social cohesion;

(6) Other explanations - for example, economic insecurity and vulnerability to economic losses. In addition, people often form subjective perceptions regarding social comparison, ie in assessing how good their life is, people often compare their own lives with the lives of those around them, where the above is not relevant for the Nordic countries precisely because of the dominance of the ethos of equality, manifested in universal public services that reduce social and economic risks.

The key mission of the Legatum Institute is the transformation from poverty to global prosperity, with more prosperous nations in which institutions function efficiently and impartially, where the economy is open and empowered people are healthy, educated, and safe. The **Prosperity Index** was created by the mentioned institution and consists of 12 pillars of prosperity which are clustered into three domains with essential foundations of prosperity - 1. Inclusive Societies - captures the relationship structures that exist within a society, between individuals and between individuals and broader institutions, and the degree they either enable or obstruct societal cohesion and collective development; 2. Open Economies - captures the extent to which an economy is open to competition, encourages innovation and investment, promotes business and trade, and facilitates inclusive growth.; 3. Empowered People - captures the quality of people's lived experience and the associated aspects that enable individuals to reach their full potential through autonomy and self-determination. Table 6 gives the ranking of the 10 most successful countries, as well as the position of our country at the global level according to the previously mentioned index, which clearly leads to the conclusion that the Nordic countries are the most prosperous countries in the world. According to the Prosperity Index, Serbia ranked 52nd, which is an improvement of 9 places

compared to 2009. Serbia records the best results in the field of Safety & Security, and the weakest performance in the Natural Environment.

Source: adapted from: Legatum Institute Foundation (2019)

How to improve the state of happiness on a global level? Policy recommendations are:[15]

Measurement - it would be useful to introduce national accounts of well-being that would be a pandam of national economic accounts. The advantage of such accounts is that it makes prosperity in a society more visible for both citizens and leaders, which enables more adequate personal and governmental decisions in this field.

Experimentation - One of the promising approaches is the experimental application of policies and programs and the collection of relevant data on possible outcomes related to the level of happiness in society, in order to assess them in a specific context and for a given culture. In order to achieve a certain level of monitoring and reach other methodologically rigorous aspects of evaluation, it is necessary to involve behavioral scientists in the whole process.

Ministry of Well-Being aim specifically to advance the agenda for quality of life - It is desirable to have a post or office in the government devoted specifically to well-being, whose function would be to offer recommendations to the government for specific interventions at the national and local levels.

Urban Design based on well-being evidence should be especially valued - Urban design and mixed-use zoning that allows for walkability to shops, recreation, and even workplaces can help the environment, reduce traffic congestion and wasted time commuting, and increase social connectedness.

Greenery, Parks, and Attractive Public Spaces - Green spaces and attractive urban environments, especially where people can relax, meet, or engage in recreational or social activities, increase well-being and social connections.

Community Activities - As an important feature of well-being, neighborhood cohesion can be encouraged through a number of activities such as those related to volunteerism, community festivals and neighborhood Watch programs.

Protective Housing - Inexpensive but decent housing ought to be available to all citizens, including effective shelter from the weather.

Reducing Corruption - Reducing the level of corruption (through draconian penalties, through transparency laws and building strong norms and values for helping neighbors and society, including strangers) would lubricate the level of trust in society as an important component of the efficient functioning of society as a whole.

Encouraging Prosocial Behavior. In order to reduce the hostile atmosphere in society and make citizens more cooperative and positive, and ready to help others, it would be important to encourage public service campaigns, media programming and various reward programs, which can increase the feelings of well-being of both people.

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[15]   The Global Happiness Council (2018): *Global Happiness Policy Report 2018*, New York: Sustainable Development Solutions Network, 152-153

Table 6. The Legatum Prosperity Index™ Ranks Top 10 and Serbia, 2019

2009 Rank	2018 Rank	2019 Rank	Country	Safety and Security	Personal Freedom	Governance	Social Capital	Investment Environment	Enterprise Conditions	Market Access and Infrastructure	Economic Quality	Living Conditions	Health	Education	Natural Environment
1	2	1	Denmark	5	2	3	2	6	7	8	8	1	8	3	10
3	1	2	Norway	2	1	1	1	2	9	15	12	7	5	11	7
4	3	3	Switzerland	1	12	7	8	13	3	7	2	4	3	12	5
2	4	4	Sweden	11	4	6	9	10	13	5	4	3	15	17	1
5	5	5	Finland	17	3	2	4	7	8	10	21	6	26	6	2
6	6	6	Netherlands	12	5	4	6	12	8	4	6	2	9	8	54
10	7	7	New Zealand	13	10	5	7	3	14	21	19	26	22	10	6
8	9	8	Germany	21	13	9	13	15	4	11	5	5	12	21	17
7	8	9	Luxembourg	3	8	8	21	22	16	2	7	9	19	33	9
9	11	10	Iceland	6	6	13	3	25	30	12	16	20	7	13	8

Note: A higher rank indicates a better state performance for each element or pillar.

Stronger Close Relationships - Economic policies that punish marriage and family life and discourage strong family ties must not be implemented. In addition, special programs for parental and marital education would be helpful for those starting or transitioning to new stages of life.

Public Health - It is often pointed out that the importance of strong social interactions for overall health and productivity outweighs the very importance of exercising and avoiding obesity, as well as smoking and protection against infectious diseases. In other words, prosocial behavior can be a generator of higher levels of well-being and can reduce health care costs in the long run, making life more satisfying for all citizens at the same time.

5.CONCLUSION

The main focus of the happiness economy is to understand the interdependence between economic performance and the resulting happiness of economic actors. In other words, it seeks to identify the link between objective and resulting subjective well-being, with the aim of determining, measuring and analyzing the progress of a given society. The list of indices that include the measurement of subjective well-being (SWB) worldwide is long. The paper reviews several of the most popular and commonly used measures of happiness in the world: World Database of Happiness (WDoH), Misery index, World Happiness Report and Legatum Prosperity Index.

We note that according to numerous measurement indices in various areas, such as happiness and well-being, the fight against corruption and freedom of the press, equality, economic competitiveness, innovation, the environment and numerous welfare lists, leading Scandinavian countries (Denmark, Sweden, Finland, Norway and Iceland), which are regularly the happiest, and continuously high ranking is often interpreted as the so-called. Nordic model. One of the key and rational explanations why this region ranks high in almost all relevant indexes is short effective public governance (which contributes to greater equality and a more egalitarian society), as well as extremely low levels of corruption and high social capital - all of these factors regularly contribute to strong economic competitiveness of countries, and probably increased prosperity and consequently a happier population. Nordic countries enjoy low levels of corruption in the public sector, significant press freedom, a well-functioning (rooted) democracy and a well-regulated private business sector. The Nordic model is, above all, characterized by an extremely well-developed social policy through high benefit transfer (income redistribution), active participation of citizens in creating a common identity, job security and a developed, dynamic and vibrant civil society. Also, the data obtained in the paper do not refer to Serbs as a particularly happy and prosperous nation.

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Žarko Đorić

EKONOMIJA I SREĆA - PROPITIVANJE ODNOSA

Rezime: *Srećni i zadovoljni ljudi trebali bi svakako biti u centru interesa svake države. Nema sumnje da i danas ekonomisti i političari olako povezuju sreću ljudi sa makroekonomskim ishodima. Logika nije neutemeljena, ali je previše pojednostavljena iz prostog razloga što se zasniva na uverenju da ekonomski rast (bruto domaći proizvod - BDP) i makroekonomska stabilnost (javne finansije, cene, kursevi) donose povećanje dohotka i pad nezaposlenosti, te da je presudno za građane da budu zadovoljni. Međutim, rast BDP-a u zemlji ne mora nužno pružiti već zadovoljstvo, ili jednostavnije, sreću građana što potvrđuje veliki broj empirijskih studija (poznat je Esterlinov paradoks). Uopšteno govoreći (i tačnije), stepen sreće zavisi od zdravlja (fizičkog i mentalnog), korupcije, zagađenja vazduha, obrazovanja, stope kriminala i osećaja sigurnosti, kvaliteta javnih usluga, socijalnih odnosa i sl. Kao naučne metode, korišćena je deskriptivna metoda za opisivanje problema, podataka i karakteristika posmatranih pojava i procesa, kao i metoda generalizacije za donošenje opštih zaključaka. Sve u svemu, rezultati su jasno pokazali još jednom zašto su skandinavske zemlje najsrećnije države na svetu, upravo zato što us uvek najbolje rangirane prema najpopularnijim i najčešće korišćenim pokazateljima koji SWB mere globalno.*

Ključne reči: *ekonomija sreće, nova ekonomska paradigma, Svetska baza podataka o sreći, odrednice sreće.*