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STEP International Mini-Symposium Record
Happiness - An Economic View

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The Research Center for Social Trust and Empowerment Process (STEP)

Kansai University

STEP International Mini-Symposium

Happiness - An Economic View

The Research Center for Social Trust and Empowerment Process (STEP) was held an international mini-symposium in cooperation with the National Museum of Ethnology.

Program

Date & Time: 15:00~17:30, Thursday, June 21. 2012
Venue: ARENA, 5F, Research Center for Social Trust and Empowerment Process,
Senriyama Campus, Kansai University
Theme: Happiness - An Economic View
Lecturer: Bruno S. Frey (Professor of Economics at the University of Zurich)

Profile of the Speakers

Lecturer:

Bruno S. Frey

Bruno S. Frey is Full Professor of Economics at the University of Zurich, Distinguished Professor of Behavioral Science at the Warwick Business School at the University of Warwick, UK, and Research Director of CREMA - Centre for Research in Economics, Management and the Arts, Switzerland. He is Managing Editor of *Kyklos*. Bruno Frey seeks to extend economics beyond standard neo-classics by including insights from other disciplines, including political science, psychology and sociology. According to ISI - The Institute for Scientific Information, Bruno S. Frey belongs to the "the most highly cited Researchers".

Commentator:

Motoi Suzuki (Associate Professor of the National Museum of Ethnology)

Moderator:

Takayoshi Kusago (Professor of Faculty of Sociology at the Kansai University)

Opening address:

Arinori Yosano (Director of STEP at the Kansai University, Professor of Faculty of Sociology at the Kansai University)

1. Opening

Professor Takayoshi Kusago: Welcome, good afternoon, everyone. I would like to start today's program. My name is Takayoshi Kusago, and I am a professor in Social System Design of Kansai University and a research member of STEP, a research centre of Social Trust and Empowerment Process.

I am the moderator of today's symposium, and at the beginning, I would like to have your cooperation and understanding for recording this program both video and voice so that then we can disseminate this program through our web page later on, as also those who cannot attend this program, we have known several people who were really wishing to attend but they have other engagements. For that purpose, we may let them watch.

Those who are not willing into the video or picture, please let us know; if not, then you soon might be very famous. Today, we are fortunate to have a very distinguished speaker from Europe, Warwick and Zurich, Professor Bruno Frey who has been one of the pioneers on the issue of happiness and economics, and personally, I am very much impressed with his work in this book. Of course, I am a Japanese, so through this book too, that makes us more vocal about the importance of happiness issue.

But first I would like to ask Professor Yosano for his opening remark. Professor Yosano, please.

Professor Arinori Yosano: First, I would like to express my gratitude to Professor Frey for having a chance to this lecture. This Centre was established in July 2010 about 2 years ago. The main theme of this Centre is to elucidate relationships of social capital and human development, especially we are focusing on social trust because we think social trust is the most important and the essential factor of social capital. Could you see that small frame the word written is spoken by Confucius, as you know, an ancient Chinese sage, and if I remember correctly, his name is referred in this book, Happiness and Economics. In Japanese, "Shin nakuba tatazu, this means social trust is inevitable for society.

One day, one of the disciples of Confucius asked him about politics. Confucius replied "It is to suffice people with food, to prepare military, and to make people have trust first". Then, the disciple asked again, "If you have to exclude one of the three, that is, food, military and trust, which one would you exclude?" Confucius said "Military". Then, the disciple asked once again, "If you have to exclude one of the two, that is, food and trust, which one would you exclude?" Confucius said "Food.

Anyway people die with no food, but people have no trust, the society will never be organized or maintained". In this way, Confucius concluded that social trust was inevitable for society.

On the one hand, we share this perspective with Confucius, and I believe social trust is the key to solve social problems; for example, high suicide rate in contemporary Japan. But on the other hand, I believe, making people have trustfulness is not an ultimate object of social science. I think social scientist must tackle the task of how to make people be happier, in other words, how to get direct improvement in people's happiness, not in utility. I know that it's a hard nut to crack, but Professor Frey's excellent works and the research frame give us the important basis to tackle these tasks. In fact, from our original social survey data analysis, we know t feeling of happiness and suicide rate have a close relationship. Professor Frey's research framework gives us an important clue to solve and analyze it.

Last but not the least, I would like to express my gratitude to Professor Frey again, and I am so honored to participate in this lecture with all the participants here, and I hope, after Professor Frey's lecture, we have lively questions and talking. Thank you.

Professor Takayoshi Kusago: Thank you. Now, I would like to introduce Professor Bruno Frey. As you know, Professor Frey has been one of the pioneers, especially among economists, and working on the issue of happiness, and Professor Bruno Frey is now the Full Professor of Economics at the University of Zurich and Distinguished Professor of Behavioral Science at the Warwick Business School at the University of Warwick, UK and Research Director of Centre for Research in Economics, Management and the Arts, Switzerland. He is also managing editor of *Kyklos*. Is the pronunciation right?

Professor Bruno Frey: Yes.

Professor Takayoshi Kusago: Professor Frey seeks to extend economics beyond standard neo-classical by including insights from other disciplines like political science, psychology, and sociology. In fact, he also published by co-editing with Professor Alois Stutzer on the economics and psychology in 2007 besides this famous *Happiness and Economics*, published in 2002. Also I have another book, this is *Happiness: A Revolution in Economics*. It is in 2008, so many publications were out now. If you need to learn more after this talk, please check this journal's papers, and then you can find many interesting papers in that.

Anyway, today, Professor Frey will speak to us about happiness and economic view. Now, Professor

Frey, the floor is all yours. Thank you.

2. Lecture by Professor Bruno Frey

Thank you so much for having me here. It is a great honor and privilege for me to be at Kansai University. I understand that it is the best university in Japan and in Asia, I hope. I am very grateful for the warm welcome to my wife Margit Osterloh and my co-worker Lasse Steiner also, and I specially thank Professor Kusago for the introduction and Professor Yosano for the words, and of course, I remember with pleasure our meeting in Berlin also with Professor Suzuki.

I think one of the most important questions is what is the relationship between money and happiness? Is it possible by getting a higher income to become happier? A lot of people think about this issue, and the question is interesting because it is an open question. Many people I think also in your country think it is obvious that people with a higher income are happier because a lot of us work very hard to get a higher income and so the expectation at least is that higher income leads to higher happiness, but then there are other people who say that's totally wrong. Happiness is something in your body, in your nature, and it has certainly nothing to do with money, with income, with commercial aspects.

Now, I would like to show you that modern happiness research has a clear answer to this question. Here, on this axis, I show you income in that case for the United States, but what I show applies to all countries I know of. Here, we have people with low income and here you have people with high income, and on this axis, there is a measure of happiness. Now, I would like to ask you just for a moment to accept that we can measure happiness. I will talk afterwards about measurement issues but just accept it for a moment.

So here you have low happiness and here you have high happiness, and you immediately see there is a strong positive correlation between the two. Mainly people with lower income tend to have low happiness; people with high income tend to have a much higher level of happiness. But you see a second thing which is when you are poor and your income increases, let's from here to here, your happiness really jumps up very strongly. Poor people who get more income really get so much happier. However, when you have a very high income already, in this area here, happiness doesn't increase very much anymore. We have what economists called a decreasing marginal returns or decreasing returns to higher income. This figure is for individual persons, for individuals.

Now, I show you the same applies for average incomes of countries and average happiness of the populations in countries. On this axis, you have again income, low income, high income, and here you have another measure of happiness or satisfaction with life, life satisfaction. You again see that it is also true for countries that there is a strongly positive correlation.

When you live in a country such as Japan with a high average income, people on average are happier than if you lived in a country like Zimbabwe or a Belarus or Latvia or Bulgaria or Egypt or India. People in these countries have a low average income and are not very happy. This is strong evidence that people like in your country or like in my country, I come from Switzerland where average income is at above the level of Japan, or people in the United Kingdom or in France or Germany with a quite high average income are quite happy also.

Now, I would like to show you quite another picture, and this one now has on this axis time, no longer income but time. Here, we have 1955 up to 2005, so over a long period, about 50 years. For the United States, one can show that average income here strongly increases over this period from around, let's say, \$8000 to \$22,000 per year. These are real incomes, so it has nothing to do with inflation, it's corrected for inflation. It's real, which means it shows that in this time period after 1955, people could buy much less goods and services in real terms than in the year 2000.

But what you also see is that the share of very happy people did not increase, and the people's happiness did not increase over time and that is an interesting phenomenon, namely, that the material possibilities increased tremendously, but happiness did not increase over time. Now we must seek an explanation, and I think there are two possibilities to explain why these two curves are not parallel, but get further and further away from each other. The first is that people get used to a higher income. We, that is, human beings adapt quite quickly, and when they have a higher income, and let's say, a better apartment or a nicer car or more holidays, they take it for granted after relatively quickly over time. When they get higher income, at first, they are very happy, but then the happiness decreases again.

A second factor is that people, human beings, always compare each other, with other people. They don't take income as an absolute thing, but always say how much does my neighbor, how much does my colleague earn. When we have income, this means that on average everybody is getting richer. If you compare yourself to other people, you are relatively speaking or



your social position to speak as a sociologist does not increase. It's not getting better, and so people are not getting happier over time.

Now, the question is, why could I make these statements? In the west, unlike of what Professor Yosano said about this, we think back of our own philosophers, and here we have Aristotle who is, of course, a major philosopher of Greek antiquity, and he thought a lot about happiness and what happiness means and whether we should try to get happier, etcetera.

Actually, Aristotle said, yes, happiness is the most important thing in life and people should try to become happy. I will talk about it later whether I agree with this. But then we have also economists or economic philosopher, philosophers who were interested in economic issues like Jeremy Bentham who said that utility and happiness is very close together, and I am very often asked why as an economist I can talk about happiness, and the answer is economics has always been about trying to make people happier, but we didn't use the word 'happiness,' we used the word 'utility.'

Economists want to maximize, make as large as possible the utility of individual people. Therefore, as an economist, I am interested in happiness because it's a close proxy, it's close to what economists understand in utility. He was a somewhat crazy person. You see that he died much over 100 years ago, but then he still is in this little house here at the University College in London. What is the word stuffed? I don't know. It's him but, of course, he is dead. When the University College London Board of Administrators meet and discuss issues about the university, he is taken out and sat on the table. I am not sure whether the other people are very happy about that.

Then, we have psychologists who entered the field of happiness research. This one is Kahneman who is a pure psychologist at Princeton University, and he is an interesting person. He is interested in economics, but never attended any classes, any lectures in economics, but he got the Nobel Prize in Economics and that's a little bit sad for my profession. What psychologists introduced was something totally new in happiness research. They introduced measurement, and psychologists are very, very good in measuring things. It's one of their main activities, and they showed social scientists like us how to measure happiness. That was a very important step, but I show you also an economist who did happiness research, that's Easterlin an American scholar, and there is of course a rather large literature which probably you see. Exactly, this Easterlin is a person, but there were two Europeans, two Dutch scholars, von Praag and Kapteyn, who were even earlier in modern happiness research and you can see there are various surveys and collections, and Professor Kusago showed two of them before.

Now comes the question, can we really measure happiness? I think we can. The question we ask is, taken overall, how satisfied are you with the life you lead? The question is, taken overall, how satisfied are you with the life you lead? We use a measure from 0 where people are very, very unhappy to 10 where people are very, very happy. I don't know whether one should ask that, but I would be interested to know how happy you are. May I ask you who is at 0, very, very unhappy? Nobody, 1 out of 10. Nobody – 2, 3, 4? Happy Japan. 5, in the middle, two professors. Six? Wonderful. Seven out of 10, yes, my co-worker, and eight. Most people at 8, 9, and 10.

You see that the distribution is very similar. The distribution among you is very similar to the one I show you here. This is just note 1000 surveys, 1000 surveys. Not one, as I did, 1000 and serious surveys. That was not a serious survey. We don't do our research in this way when we do a happiness research.

But you see the distribution. It is at zero, one, two, three, four, five, there is almost nobody as in your case. Of course, it's a little bit obvious if somebody is very, very unhappy, he wouldn't come this afternoon to hear a lecture about happiness, but he would be in a psychiatric hospital or somewhere, normally. But what is interesting is that most people are quite happy as you are.

Japan in this is not an exception that you are so happy. In Germany, Switzerland, France, or the United Kingdom, people are also quite happy. I think that is a good result that we can say, on the whole, mankind is happy. There are some philosophers, especially French philosophers, who tell you that the world is terrible and everything is sad and we should only mourn and things are so bad. No, I think people are quite happy and that is a good result.

Now, I showed you that we can get close to measuring happiness by asking a question about life satisfaction. Now, I show you another approach which is called 'Day Reconstruction Method,' and it has been devised by Nobel Prize Winner Kahneman and it goes like this. You are first asked, what did you do last day? You should indicate episodes. One episode would be you got up, had a shower, and had breakfast. That's one. Then, you drove by public transport or by car to your place where you work and then you started to work and then you had tea and then you worked again and then you had lunch, etcetera. These are episodes, and only then you are asked how happy were you during these episodes. It's a little bit different approach, and Kahneman claims that this is much better. I gave you some results, and I only consider now positive effect, that is the positive side compared to the negative side of happiness, so only the positive side.

It's on a scale now from zero to six, so zero very unhappy, six very, very happy. Being alone doesn't

make you very happy. It's much better even to be with your boss, but it's better to be with your co-workers because then you can exchange nice views and have contact. Somewhat surprisingly for some people being with your spouse or with your partner makes you even happier than being with co-workers, being with relatives is even better, and the best thing is, of course, being with friends because then you feel nice and have a drink and have a good time.

Commuting, an activity which is done very often in Japan and in many other countries, but here you do it very strongly, doesn't make you happy at all. It's similar to being alone. It's better even to work than to commute, even better to do housework. Your people are happier doing housework, and watching TV which is an activity done all over the world to an extreme extent, I don't know about Japan, but for instance in Greece, people on average watch 5 hours per day TV. That's an incredible number of hours. It makes them quite satisfied, but to pray or to meditate is even better. But now, I should tell you who the people are who were asked here. These are women from the State of Texas. Women in America like to meditate and to pray. It's perhaps different if you are asked in France or in the UK or perhaps in Japan. I don't know. But it's better not to do anything to relax.

Very, very good is to socialize, to be in parties and to connect with each other, that's an important part of life. But intimate relations, these are Americans, they call this activity intimate relations. In Europe, we call it sex and American women enjoy sex. Texan women enjoy sex, but they do it very little per day. Now, I think the happiness figures that are collected either by asking or by any other approach, but what I will use is always this question, taken overall, how satisfied are you with the life you lead would be here, and it connects very closely or it correlates very highly with other important things which normally we connect with happiness.

For instance, smiling during social interactions - to smile, to laugh is something most - no, I think everybody connects with happiness. We find that when we study who laughs more, who smiles more, then we find that exactly those people have also a high happiness level. Or being optimistic is a good thing for happiness, social contacts. Less problems at work, happy people are better at work, they have less conflicts, and then what Professor Yosano already mentioned, suicide.

We have clear evidence today that people who are unhappier commit more suicides and those who commit suicides are unhappy people and that is an important thing. It's again not something which is so obvious as it sounds. For instance, in Switzerland, we have a high happiness level, but quite a lot of suicides and that used to be also the case in other western countries like Finland and other Scandinavian countries, a lot of suicides, but quite happy people, and one has to explain it.

But over the world as a whole, it's clear unhappy people are more likely to commit suicide, and I think that's also very important. Let's start like this. Healthier people, if you are in good health, you are happier. That sort of sounds obvious and it is extremely important. But the other way around is also true. Happier people are healthier and that is quite surprising, but there is now extremely good evidence that this holds true. In a way, you have a stronger immune system against illnesses, and this immune system is stronger when you are happier. So, this is again something which is not necessarily obvious.

Here, I show you some of the data collections we have. One of the best is the German Socio-Economic Panel which is quite large and which has existed for an extended period, and which Lasse Steiner, my co-worker, and I normally use because it's the best data, but the British Household Panel is also very good. Then there is this Gallup World Poll which is the newest one, and you see 104 countries which is a lot, and over 180,000 people were asked about their life satisfaction of happiness. I showed this only to indicate that we have now a lot of different data which we can study.

Economists now proceed in the following way. We have measured happiness here, and then we look at what are the determinants of happiness. These are the major classes, sets of determinants. For instance, the first is genes. Our nature which we have inherited from our parents is extremely important, has an extremely important effect on happiness. There are psychologists who would claim that about 40-50% of the differences between the happiness of persons is due to genetic factors, just what we have from our forefathers and which in this sense we cannot influence.

I think all of us have made this experience from school or later that there are just people who are happier just by nature and others who are unhappier. For instance, when you go skiing, so not in Switzerland or Japan, when you break your leg while skiing, you break one leg and then if you meet who is happy by nature, he or she would say, I am lucky because I didn't break two legs. Of course, the unhappy people say, the genetically unhappy say, oh, it's terrible I broke my leg. You can interpret the same thing in totally different ways and that's partly determined by your genetic outfit.

There are other factors which I will discuss, but I would like to show you how we do it. We do it by using advanced econometric methods. What we explain is life satisfaction, the dependent variable is life satisfaction, and here you have the various kinds of determinants; for instance, whether you are married, whether you are male or female, how many children, your age, and it goes on, whether you are employed or whether you are already retired, and things like that.

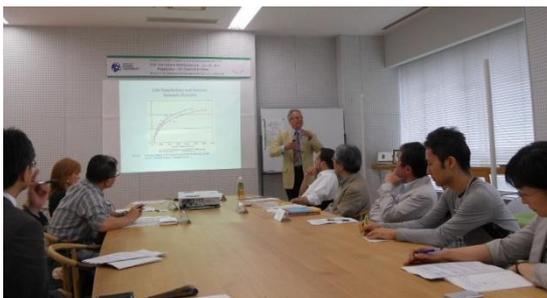
But I don't want to discuss this in this way because that gives you very boring feeling. I would like to discuss what I think are important determinants of happiness to indicate that you see what from my point of view, I think is significant. Age, here you have this picture that is given to our children. It's in children books, one of the first books with nice pictures showing you how life is. How do Germans look at their life overtime? You are born. You get married. At 50, you are at your best. At 60, death is already looking over your shoulder. At 80, you can only sit, you cannot even stand and then that's the end.

That is how life is considered to be. There is a maximum and then it goes down and down and down for many, many years also in Japan because Japanese people, of course, are those who get oldest all over the world. You are unhappy for a very long period of time. That is what we find for all the countries except one. For all the countries, and it's exactly the opposite.

When people are young, age 16 to 29, they are quite happy. Then, they realize that life is not so easy unfortunately and then it goes down. You are unhappy. Please note, keeping all the other influences constant, keeping income constant, keeping constant whether you are married, just everything kept constant, it's just the pure age effect. Then, when you get older you become much happier. The explanation could be that when you are young, you think you can achieve everything. You can become an Olympic champion and a Nobel Prize winner. At least you expect it, but then, of course, you realize that that's normally not the case. When you get older starting with 50 or 55, there is this certain wisdom coming and so you improve your life satisfaction. The interesting thing I said with one exception, and just before I heard that in Japan that's not true.

I heard that it's going down here in Japan, and perhaps, we could talk about this in the discussion period. I think it's very interesting that in all countries happiness goes up, but not in Japan, and if I understand correctly, it's not income. It's not an income effect, but something different, but we should talk about that later. It's very interesting.

Then, family, of course, everybody at least in western countries tell you that getting married makes you happy and that this is a wonderful thing and that one should have romantic love and then get



married. I think that's such a clear thing, and I understand that Japanese spend \$50,000 or more for the birthday, for the holiday, and for the wedding party. Is that true? Quite a lot of money, anyway, a lot of money.

Yes, and that is actually true. If here you have the date of marriage and as we have panel data, panel data in my wording means that you look at the same person year after year after year after year. We can look at the same person 5 years before or 10 years before, and of course, these are averages, and what you can see is it really goes upwards. On average people are much less happy 10 or 7 years, 5 years before that at the date of marriage. However, that is how it goes on, and if you are a little bit unlucky, it really goes down that spot. That is romantic marriage.

But there are other marriages, and I understand that in Japan, there were and are arranged marriages. Here, the cycle or the effect on happiness is totally different because you don't know the person before, you cannot get happier when you are towards the marriage date. I think that is reflected clearly like this. But afterwards, you get a little bit happier, perhaps even more, quite strongly more happy because you get to know the person and after some period you think, oh, he or she is not as terrible as I thought, and he is quite nice and he is quite this, etcetera, and so it goes upwards. But of course it may also end with divorce.

If you have here the divorce date, happiness goes down very strongly towards the divorce date. Divorce is a real strong stress factor, but afterwards, fortunately, people recover and quite strongly, and after some time, the people are as happy or almost as happy before and then they get to know the next person and then the cycle starts again.

Education, I am happy to say as there are professors sitting here that what we do makes people happy. A good education helps you to have a broader view of the world. You can enjoy culture better, you can better enjoy traveling around, you have less problems probably, so education is good for you.

But that is the most important fact, having friends. People who do not have friends are clearly less happy even if income is the same. If you just think for a moment, if you have a high income and no friends, that's not a good life. You are not happy, but when you have a good income and friends, that's, of course, a great thing. But having friends is extremely important, and I may perhaps say that in my own country in Switzerland people sometimes work too hard and too many hours. Our normal working week is 42 hours compared to in France – how many?

Yes, or something, so much less. Swiss work perhaps too much and so they have too few friends and that reduces their happiness somewhat because in order to have friends you must have time and you must devote time to your friends. You cannot always say, I don't have time. Yeah, I like you, but I don't have time. That doesn't work well.

Income, I already said, income is good but after a certain amount of income, it doesn't aid you much. But unemployment, that is the most important economic effect. I am glad to hear that in Japan, the rate of unemployment is about 5%, if I am correct, about 5%. But in very many other countries, for instance, in the European Union, average unemployment is 9%. In Spain, the rate of unemployment is above 20%, I think it's 24%.

In Greece, it's also almost one quarter of people are unemployed, and unemployment has a huge negative effect on you. The interesting thing, it's not that you lose your income, because income is kept constant; it's just when you lose your job, you feel thrown out of society. You feel no longer needed and your self-evaluation or self... drops tremendously. You think you cannot achieve anything. You are useless and that really dampens your happiness very strongly. What is good for happiness is being independent or autonomous? Autonomy in your work is extremely good to make you happy. When you only have to obey orders coming from above, your happiness is not very high.

Self employed, I think, that's quite interesting. You certainly know that self-employed work more hours and they work more intensively. They on average earn less money than people in organization, and, of course, they have a much higher risk. Nevertheless, they are happier because of this autonomy which is highly regarded.

Then democracy, here you have a picture which does not apply to Switzerland as a whole, but to some regions, we call it cantons, provinces. People meet one Sunday when the weather is beautiful and the mountains are there. They meet in a square and decide issues of content. For instance, should a bridge be built and then the politicians, they stand there. The politicians have to explain the bridge costs \$50 million or euros and your tax rate will be higher by this amount, but the bridge will bring these and these benefits. Then these issues are discussed by normal people. Experts may also enter and say, "Look, I am an expert in bridge building and I think this bridge is good," etcetera, or a social worker enter, sociologists may offer their opinions, ethnologists may offer their opinions, and then at the end, the citizens and tax payers take a vote, yes or no. This achieves a strong combination of happiness and the sense of community which is and of trust, therefore.

People trust because they know the arguments of the other people. It's not an abstract thing. They deal with each other. These institutions, that's, of course, a very extreme thing. In Switzerland, normally, we do it by voting, by post, or by [Foreign Language], I don't know the English, yeah, to serve your opinion.

Anyway, happiness makes you happier than if you live in an authoritarian and especially in a dictatorial surrounding. Federalism also makes you happy. You have my own country, and you see, my country is very small. It's smaller than many of your cities. It's 7.5 million inhabitants. It's a very small country, but this very small country is divided up into those very, very many, actually 24 provinces.

Now, I would like to talk quickly about issues which we have in current research. I think we should improve the measurement of well being. That's certainly something which is important and one can always improve that. Then, another issue is causality. The factors I mentioned before, which I always said, this determines happiness. Very often happiness also works in the opposite direction. It's easy to see that with income. I said people with higher income are happier, but happier people are also more attractive as workers and so are more easily hired and get better positions. Happiness leads to higher income, higher income leads to happiness. Another case would be marriage. Married people are happier, but happy people more easily get a partner because it's more attractive to be with a happy person than with a non-happy person.

This is television, the question is, is this person sad because he watches this terrible TV program or the other way around? Is he unhappy as such, and, therefore, watches TV, and I think both causalities makes sense because when you are an unhappy person, you have fewer friends. When you have fewer friends, you probably watch more TV. But on the other hand, TV is so boring that you really get unhappy. Yesterday evening I tried it, and, of course, I don't speak Japanese, but I did think that these are terribly interesting programs.

We actually did research on that. With my co-workers, the one Professor Kusago mentioned before, Alois Stutzer, and a former assistant of mine Mr. Benesch. I must confess I wanted to show that TV programs make you unhappy; it didn't quite work out unfortunately. It's just irrelevant what you watch except for people like us who have got alternatives.

When you know what to do else with your work, when you have friends or when you travel around or when you have family and are active, and if under these conditions, you watch a lot of TV then you really get unhappy because it's a wrong choice for you, but there are other people, for instance, when you are ill or bad health generally, or if you are very old and cannot walk anymore and things like that, then it's okay to watch TV. It doesn't release your happiness.

Now, the question is, should government make you happy? Yes, and here is a country which, of course, has always supported happiness, and I am delighted that Professor Veda [ph] is here who did

research on Bhutan and probably on happiness. When you see this, that already makes you happy, really, a beautiful country.

The French president, I must emphasize the former French President, also said that he wants to pursue and maximize the happiness of the French. The English claim it Cameron officially said, "My government wants to maximize the happiness of the United Kingdom people," and even the Chinese said, the Chinese communist party leader said, "We want to maximize the happiness of the population."

I am against that. I do not think that this is the good way to go. There are a number of arguments, which I do not want to repeat. If anyone of you would be interested, it's in the journal *Public Choice* done 2 years ago. But the important arguments are that when you ask and I am sure, you know much more about surveys than I do, the argument here is if you make a survey on happiness today or some days, some years ago, you could ask how satisfied are you with life and people would think about it and then give you an answer. But if you know that your government, that is a particular party which is in government asks you, are you happy? You respond differently.

Let's say you are a left winger and you have a right wing party in power, and then you are asked are you happy sort of under this terrible right wing party. Then you would say, "Oh, no, I am not. How can I be happy under this terrible government?" and the other way round when you are a right winger and you have the left wing government.

In other words, strategic answers are likely once government says, "I want to maximize happiness." That is the first strong distortion. Then, there is also the question of, "Is happiness really the only goal in life?" Personally, I do not think so. I think there are other important things in life like loyalty. Loyalty is an important goal in life or solidarity with other people or religious goals, that's very important for some people. If you ask a monk in a Buddhist monastery or a monk in a Christian monastery, "Do you want to be happy?", then he or she would say, "That's not my consideration. I look for life after death."

What does it mean? That is what I want to achieve, happiness in my future life, but not necessarily in the present life. I just say, there may be different views on what is important in life, and I would like to claim, it's not only happiness. But then I think the most important thing I would like to state is this manipulation principle which occurs when governments say, "I maximize the happiness of the population." What happens, the government has an incentive and the possibility to strongly influence the happiness target or the National Happiness Indicator because the performance of the government

is measured by the development of this National Happiness Indicator, and, of course, the government is going to manipulate that indicator to its advantage.

That sounds a little bit cynical, but I think it is not necessarily because it's not cynical, it's realistic. When you look at how governments influence voting or survey results, they use propaganda. When you want to influence the outcome of the National Happiness Indicator, you can, for instance, kick out people who are mentally disturbed. For instance, in the United States, people who are incarcerated are not counted and may not vote while in other countries and probably in Japan, they may vote. You can choose whether to include them or not according to how well the National Happiness Indicator is influenced.

We know about non-respondents. That's a crucial issue. When you ask people how satisfied are you with your life, you must address people and how do you address people? For instance, when you call them at home, many don't have a phone anymore. Modern mobile people only have handys, and if you don't have the handy do you say, handy mobile phone number, you cannot reach them. Then a whole part of the population is not recorded, their happiness is not recorded, etcetera.

You can kick-out outliers, easily. You can always say special circumstances. You can for instance say, oh, yes I realized that the happiness indicator is somewhat lower than it should be, but there was a natural hazard, a natural catastrophe, and, therefore, of course, the happiness level is lower. You always find some reason, and governments are very good in finding reasons. If this is not sufficient, you just invent answers. You just say, if the result of your happiness survey is not good enough for the government, you just don't include some people's answer or you develop a totally new happiness survey.

We have a lot of experience not with respect to the national happiness indicator because that would be a very new development, but in the past, we know that all governments strongly influenced the rate of unemployment unfortunately. For instance, if you explain that to a lay person that economists like me calculate the rate of unemployment by kicking out those who are really long-time unemployed. If you are unemployed for a sufficiently long time, you are no longer looking for labor. Then, you are kicked out, and so you can influence the rate of unemployment tremendously and that is done or the inflation rate.

Just in the Economist, there was a report that in Argentina, the real rate of inflation is something like 32% per year, and the official rate of inflation is 25 or 20, so a huge difference between reality and what the government has done. Then, GNP growth can be influenced, and, of course, public deficit

and public debt. We know that from Greece, we know that probably also from other countries including Japan that is always influenced.

Now, one could argue that an independent statistical office would be helpful. Yes, it would, but I am afraid that this so-called independent institutions like the Central Bank will be influenced by the government or academic critique is, of course, very important.

What I suggest is a different approach to use happiness research. I think we should establish constitutions, the basic set of laws which enable people, which make it possible for people to become happy and that is totally different from what is this benevolent-technocratic dictator view which says the government knows how to make each of you happy. I think that's wrong. We should make it possible for people to become happy and that is a totally different approach.

This means, for instance, that one can be employed if one wants to work, one can get an education if one wants, one has political participation, rights and decisions are decentralized so that people understand what is happening.

My conclusion is that happiness research has provided us with some interesting new insights which are different from what lay people think or what economists thought. Sometimes it's the same, but sometimes it's quite opposite and that happiness policy should really be to establish constitutions which make it possible for individuals to achieve happiness.

I thank you for your attention, and I look forward very much to the discussion. Thank you.

3. Comments from Commentator

Professor Takayoshi Kusago: Thank you very much for Professor Frey. I think the presentation has covered from macro view to the policy issues. Now, today, I would like to make a request to Professor Motoi Suzuki for his comments, and before that, I would like to explain the relationship between us. This seminar has been jointly organized by the Centre from here and National Museum of Ethnology and kindly he accepted to organize this meeting here. [Japanese] Thank you so much. Now, I would like to give you the mike for your comments.

Professor Motoi Suzuki: Thank you very much for introducing me, Kusago sensei. Thank you very much Dr. Frey for your lecture. We three met together last year in Berlin. We participated

in the seminar titled, 'Happiness, does culture matter?' At that time, of course I had an opportunity to listen to Dr. Frey's presentation, but only briefly because each participant had 15 to 20 minutes to talk, although the discussion followed afterward. Today, I am very lucky because I could understand Dr. Frey's point in detail. Thank you very much.

My role here is to encourage discussions. I have one question about your lecture and some comments. The comments are about happiness for Japanese people, maybe you are interested in that topic. My question is, in the final part of your presentation, you mentioned constitutional approach in contrast to benevolent-technocratic or dictator approach of government. I would like to ask you to explain more what constitutional approach consists of. Of course, you mentioned that employment, education, political participation, things like that, but is it a matter of the motivation of lay people or people in general? Or do we need some, say, non-government organizations' activities or some efforts from civil society? Could you please explain a little bit more about the concept of constitutional approach in contrast to government top-down approach? That's my question.

The second point is about Japanese attitude for happiness or the happiness issues for Japanese people, and I would like to mention three things. May I use the white board?

The first is about measurement. Last night I looked at the home page of the cabinet office of Japanese government, *naikaku-fu*. They have a series of very interesting surveys. I don't know how to translate it into English, but approximately, the national survey of people's preference for living. In that survey, the cabinet office showed the data on the degree of happiness for Japanese people from 0 to 10 scales. The average score in the most recent 2010 survey is 6.46. You may say this is relatively high, but in the first part of your presentation, you showed a graph, in which Japanese happiness score is rather low in relation to GNI data.

Professor Bruno Frey: Yes.

Professor Motoi Suzuki: I would like to say that Japanese people tend to underestimate their happiness degree, partly because, I would like to argue, we are not so accustomed to measure happiness. Today in this room, Professor Frey has just asked us what was our happiness score, and I said, "I am five." It was lower than most of you and lower than the national average 6.4 in 2010. But if we look at the survey data carefully, what is the mode or the most frequent score? The answer is five. About 20% of Japanese answered that their happiness score was five. The second most frequent score was seven, and the third was eight. In average, the distribution is skewed to higher scores than five. Why number five is the most frequent? My guess is that, we are not so accustomed to measure

how happy we are, so most people or at least 20% of the survey respondents might say, “I am not so happy, but I am not so unhappy, either. So, maybe I am in the middle”.

That is my interpretation of the meaning of the score five. But I hope that when we are more accustomed to this type of survey, maybe we can express our feeling more freely or more naturally. But so far, I guess we are not so adept to answer how happy I am by number. Thus my question is; is this exceptional, found only for Japan survey or it can happen in any other country?

Then the second point is culture of modesty, or that of *kenson*. I think in your book you mentioned that in Japan, we have a culture of modesty. Then, when we are asked in a happiness survey, we tend to underestimate our happiness due to our value for being modest. To be modest means to underestimate your position. For example, if my friend tells me how cool my car is, maybe I would answer that, “Well, it isn't so good, it consumes lots of gas, or it has many small problems.” Instead of accepting my friend's words of praise, I would say something negative about my car. That is maybe a typical attitude of many Japanese. We feel comfortable when we show our position lower than we really think.

This is one way to explain the relatively low score of Japanese happiness. We have a sort of culture of modesty. But my question is, why we have such a culture? What is the culture of modesty? To tell the truth, I do not have any correct or right answer to this question. I am a cultural anthropologist and I specialize in Mexico or Latin America, and this is my excuse. Cultural anthropologists are not necessarily good at analyzing their only culture, in this case Japanese culture. But from my experience of anthropological learning about Mexico, I find some interesting topic to think about the culture of modesty.

American anthropologist George Foster, he proposed a hypothesis of ‘Image of Limited Good.’ Have you heard of that?

Professor Bruno Frey: No.

Professor Motoi Suzuki: This is a sort of classical arguments, back in 1960s. George Foster did research in the western part of Mexico. He stayed in a village called Tzintzuntzan. It sounds like Chinese, but it's in Mexico. From Tzintzuntzan study he found people there have a special worldview, which is characterized by ‘Image of Limited Good.’ The meaning of the ‘Image of Limited Good’ is what is good or what is valuable is limited in the society; for example, land is limited because, obviously, physical space is limited. But, for example, the money that people can

have is also limited, so they think. And what is interesting is that things like love or affection is also limited.

If you live with that type of worldview, what will happen to them, or what will happen to you? Because the total amount of the good is limited, so if you say that you are well, you are fortunate, you are rich, or you are happy, by implication, maybe someone else is not so happy, not so wealthy or rather poor because of your good fortune. And if you try to increase your wealth, maybe someone else will decrease his or her wealth. The typical attitude of people in Tzintzuntzan is to try to be conservative, in other words, to try to keep the situation intact. And they hate change, and especially try to hide the intention to improve their status, to get rich or to be successful.

In other words, they try to be humble or they try to be modest. But why they do so? The reason is that they are afraid of the envy that other people might have. This is the argument of the Image of Limited Good. Maybe, we can say the “image of limited happiness”. For some people or for some culture, the total amount of happiness in the society is limited, and if it is so, people tend to be modest, because explicit showing of your happiness may cause envy in others.

This is Foster’s theory. I am not saying that all Japanese people have the same mentality or the same worldview, but I suspect some people in Japan have this type of mentality. To say I am happy may cause envy of others. Some Japanese are afraid of that envy. But this is just my hypothesis, and maybe I would like to know your view.

The third point about Japanese happiness is related to a book. Today I have brought one book about happiness. This is a Japanese book and, I am sorry no English version is available. The title is something like ‘New Happiness Theory,’ written by Hiroyuki Itsuki. He is not at all social scientist. Rather, he is a novelist and he is very famous in Japan.

Professor Bruno Frey: Novel, yes.

Professor Motoi Suzuki: According to him, we are living in an uncertain age. We are not sure what the society will become in the future. The one problem about Japanese people is we do not have now clear goal what we should attain, what we should want. For example, right after the Second World War or during the phase of post-war rapid national economic growth, maybe the lifestyle of the United States was a very popular image of happiness or success for Japanese people, but now, we are not so inspired by the American way of life.

But what should be our goal? We are not so sure now. Besides, now, we have another factor of uncertainty, about which Professor Yosano would know better than me. In Japanese society, it is said that now the class differentiation is increasing. The rich will become richer and poor become poorer, and the class mobility is limited or getting more limited. Then, under that circumstance, for the people within the lower class, what is the goal for them, what is the hope for them? It's very difficult to talk about it probably because we are not accustomed to the situation of little class mobility. We are not sure. In this sense, I would like to refer to the slide 16 of your presentation. You mentioned a lot of factors of happiness here.

Professor Bruno Frey: Yes.

Professor Motoi Suzuki: In the middle is happiness and many factors are around. I would like to look at one particular factor, 'optimistic about future.' Maybe according to Mr. Itsuki, this factor is very important for the contemporary Japanese, because many feel that our future is so uncertain. We cannot be so happy now. I almost agree with his theory. All right, as I have said many things, now I would like to know your answer or opinion. Thank you very much.

Professor Takayoshi Kusago: Thank you. Professor Frey.

Professor Bruno Frey: These are really wonderful points. Thank you so much, and you make me think a lot, and to many things, I do not know an answer. The constitutional approach that was your question you asked me to explain a little bit better. The constitutional approach is based on Buchanan, the Nobel Prize winner in Economics who championed that approach. The basic idea is that our behavior is very, very strongly shaped by constitutions or institutions. The same people behave in a totally different way according to the institutions they are subject to and so the real important thing is not to preach people do this or do that, but to establish good institutions which bring out the good ways of behaving of people. These institutions cannot be easily set because if I asked you what would be a good institution or a constitution for Japan, you already know your own position, and therefore you are already biased.

For instance, it depends very much whether you have children or not or whether your children are in good health or not. Let's say your children are in excellent health, then you would probably not want to have a very, very expensive health system in Japan because you think your children will be healthy during their lifetime. But let's assume you have a child that is blind, then you think differently about the health system of Japan in the future, which should care for your children.

The way we should look at the good constitution is behind the veil of uncertainty. You do not know, that is, uncertainty whether you will be well educated or not, whether you will have a job or not, whether you are female or male in the future, whether you are rich, whether you live a long time, etcetera, or whether there will be a natural disaster hitting you or not, you just do not know, and then you start thinking about the future in a more objective way.

For instance, you would think, yes, a tsunami may hit us and, therefore, we should spend some resources for that. The important thing is to set the right institutions, and in the political sphere, we have some knowledge about what the good institutions are, and I am very satisfied that I can say that democracy is an institution, it's a constitution which helps people to become happy because it gives them more autonomy. They can co-determine and that is very important in advanced societies as Japan or in most societies in Europe. If I may say so, I think that will be one of the problems of China.

Chinese are getting richer, but they have little political autonomy and that doesn't go well together, and therefore, I think that Chinese would get much happier if they move now also to autonomy, to more autonomy in the political sphere. That is the idea of this constitutional approach.

Now to your three very interesting points, thank you very much again, I think that's so, so interesting. The mode of five and the second highest being seven and eight, actually I don't know any other countries where you have two maxima. There must be something curious, something special about it, and I think what you suggest is culture of modesty that may be a factor, but I would frame it a little bit differently, namely, the stronger culture of modesty in Japan, compared to other countries, the stronger, not just that you have it, but it must be stronger than in other countries because in Switzerland if you ask a person, how are you?. Now, what do an American say, an American say I am great. When you ask a Swiss, he would say, I am not exactly bad, I am reasonably good. You know, these differences are culturally determined, and in this sense interestingly enough, that's very interesting to me in Switzerland, we are very similar to Japan. We do not want to say we are super happy.

This leads me exactly to the second point, why don't we say that? In a way we also believe that when you say you are super happy, that it's not so god will punish you, the gods, probably Mexico maybe also. But I think your point about the envy of others is extremely important and that what is good is limited. I perfectly agree with you, most people think material things and land are limited, but, of course, in a modern society, material things are not unlimited and the whole idea of the market is exactly that it is not limited. Resources are limited but what you can do with the resources

is practically unlimited and you have economic growth. But what is really absolutely and by definition limited is social status.

Even in our most progressed society, social status is limited by definition. When somebody moves up, another by definition has to move down. We call it in economics 'positional good.' If one position moves up, by definition, then another position must move down and I think that would be a very important also from the sociological point of view, a very important aspect which should be studied much more, what is the relationship between status, happiness, and mobility?

There is one piece of evidence. In the United States when, what you mentioned, the distribution of income gets more unequal, the rich get richer, the poor get poorer - gets more unequal, Americans do not mind. There is an empirical study on that. While Europeans hate that because they think they cannot move up. Americans think it's good when the rich ones become even richer because they wrongly believe, wrongly believe but they believe that they will move up to this very highly paid class.

In Europe, we don't think that and what you hinted that in Japan neither. You don't believe that you will end up as one super millionaire. That is a very, very important point. Thank you very much again.

Now, about the New Happiness Theory, that is exactly this topic. The uncertainty about the future is, of course, a huge problem, but again, I phrase it a little bit different - just a little bit additionally, namely, Japanese must be more uncertain about the future than, let's say, the Arabs or the Europeans or the Americans. Then, if one formulates it as such, then you immediately ask the question, why is that so? Why are Japanese more afraid of the future than other nations, and coming from outside, I do not immediately see why you should be more afraid because you are a very well organized society. I am very impressed.

Your trains go by in China, not Swiss trains, it's your trains, and you have a good civic society, you have a democracy, a well established democracy. It is somewhat difficult for me to see why the Japanese be specifically so less uncertain about the future. Thank you so much. I will further think, of course, about these issues.

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