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A COMMENT TO THE PAPERS BY CLARK, D'AMBROSIO AND BECCHETTI ABOUT HAPPINESS AND (DE)GROWTH

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ABSTRACT

The ideas expressed in this note result from a fruitful discussion with A. Clark, C. D'ambrosio and L. Becchetti on happiness and (de)growth. First, results on the standard correlates of life satisfaction and emotional happiness presented by Clark and D'ambrosio are examined; new research avenues are then identified with the aim of expanding the current understandings of unhappiness and its relations with societal characteristics. The second part of this discussion deals with the concept (and applications) of generativity as developed by Becchetti, within the broader paradigm proposed by the Civil Economy school. While the new perspective is key for a more realistic comprehension of human behavior, further research is needed to understand whether the proposed paradigm works equally well in the non-WEIRD countries, and which would be the policy implications for these societies.

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JEL codes: A13; B55; D02; D64; I31.

The first aspect A. Clark (hereon AC) puts emphasis on is the limited number of studies looking at whether the traditional correlates of subjective wellbeing (SWB) matter also for illbeing, and how correlations change – if they change – in periods of economic booms and busts. Lack of evidence on these issues, indeed, calls for additional empirical analysis looking not only at well-being in a "positive" perspective, but also at *unhappiness* and at its determinants. Using the Gallup World Poll for 163 countries from 2006 to 2013 (with 1000 annual respondents per country), the author looks at key correlates of three proxies for (un)happiness, i.e. the cantril

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measure of SWB, and the survey measures of positive and negative affect. AC shows standardized regression coefficients for sex, age, age-squared, couple status, having children under 15 at home, log household income, two educational dummies, labour-force status, religion dummies (and wave and regional dummies). Results document that both positive and negative emotions are less well-explained than life satisfaction. Moreover, the majority of the selected variables increase positive affect as they decrease negative affect, yet some asymmetries emerge: education increases positive emotions more than it reduces negative emotions; being male reduces negative emotions more than it increases positive emotions or life satisfaction; children at home increases negative emotions more than they reduce positive emotions. Interestingly, these results are fairly consistent across different surveys (and countries), thereby proving to be externally valid also across different contexts, e.g. rich vs. poor countries. As a conclusion, the author claims that correlates of life satisfaction and affect are not identical.

AC's work original contribution stems from the alleged scarcity of predictive power of the major factors that have been considered by the literature as key to happiness. Jointly considered, results suggest that one measure of happiness is only a partial representation of the complex set of emotional and cognitive states connected to a happy life. While the economics literature has traditionally looked at happiness by means of cognitive (life satisfaction), eudaimonic (meaning of life/purpose) and – though to a lesser extent – emotional (positive and negative affect) well-being measures, important aspects connected to the "sign" of happiness are often overlooked. More specifically, given the low reported correlation between life satisfaction and negative affect (–0.39), three questions arise: i) Is there any use in happiness economics of cognitive measures of ill-being, which capture how much individuals are *dissatisfied* with their life? ii) do low values of life satisfaction indeed suggest life *dis*satisfaction? And, relatedly, iii) how close to the zero on the standard life-satisfaction questions one should be in order to be considered as dissatisfied with her/his own life?

As economic research has traditionally focused on happiness from a positive point of view (especially since the development of positive psychology in the '30s-'40s of the last century), we still known relatively little about what drives unhappiness. Yet the latter is not a negligible issue since unhappiness is dramatically on the rise from 2011, as documented by the increasing trend in negative affect shown in the last Word Happiness Report (Helliwell *et al.* 2019). Hence the aforementioned questions call for further research on unhappiness and its correlates both at the individual and societal level. Furthermore, little predictive power of the common life-satisfaction controls on affect, as shown by AC, suggest that some important sources of individual heterogeneity are not captured by the controls we usually find in most regression tables. While the economics literature has being doing a good job in understanding cognitive well-being, there is still room for further research on emotional happiness and unhappiness.

For instance, emotions might be more strictly linked to daily life experiences than to (fixed) individual characteristics *per se*; or positive or negative affect could be influenced by the *instrumental* value of these traits, i.e. the type and intensity of emotions that is possible to "achieve" given one's own socio-economic and demographic background. Furthermore, a potential source of individual heterogeneity in the analysis of emotional happiness might stem from three interdependent factors, i.e. i) one's own personality, ii) the culture where (s)he is embedded in, and iii) to what extent (s)he complies with the value other people around her/him attach to positive or negative affect (e.g. Suh *et al.* 1998; Schimmack *et al.* 2002; Diener and Lucas 1999; Diener *et al.* 2003, Steel *et al.* 2008).

Just to discuss a few examples, with respect to personality, part of the variation in emotional well-being – which is not well explained by traditional regressors – could be accounted for by the interaction between life experiences and individuals' personality. For instance, individuals exposed to the same shock may emotionally react in different ways depending on their personal dispositions and life attitudes, e.g. personality traits, resilience capacity and emotional stability (e.g. Costa and McCrae 1980; Vittersø, J. 2001; Lucas and Baird 2004; Lü *et al.* 2014).

Regarding culture, for instance, Kuppens *et al.* (2018) has recently shown that the adverse effect of negative emotions on life satisfaction is larger in societies where individualistic values are normative than in contexts where collectivistic values are more widespread. Negative emotions relate more strongly to happiness in individualist than in collectivist societies. This might be driven by a "negativity bias" (Cacioppo and Berntson 1994; Taylor 1991), typical of individualistic countries, which makes individuals more sensitive to negative emotions and increases the weight individuals put on the negative emotions when thinking how happy they are. This implies that, relative to collectivistic societies, individualistic societies give more importance to minimization of negative emotions for the achievement of wellbeing. As suggested by Elliot *et al.* (2001), people in individualistic countries tend to ban personal negative experiences from their lives because these experiences do not match with the archetypical idea of success, which includes, as an example, feeling good and doing well; the main concern in those societies is with retaining a "independent, active, happy, and outgoing selves" (Kuppens *et al.* 2018, p. 73). In contrast, in collectivistic societies, negative experiences do not necessary imply a miserable life; also self-criticism, suffering and failure and the experience of negative emotions enter the pursuit of happiness since they are deemed instrumental to attain valued ideals (e.g. interpersonal harmony). In addition, an emotional state could drive to high or low well-being depending on how this state is valued by other people around them. The experience of negative emotions might decrease life satisfaction more in societies where positive emotions are highly valued, whereas the experience of positive emotions can make any difference in those societies (Bastian *et al.* 2014). Thus, the promotion of positive emotions for achieving a happy life can have no (or even adverse) effects in contexts where positive emotional states are normative.

A final remark to AC's contribution regards asymmetric adaptation to economic booms and recessions. AC shows evidence suggesting that people adapt less to falls in income (or entry into poverty) than to increases in income. Hence lower income may permanently reduce happiness. Future research should examine whether the relation between boosts or busts in income and well-being can be moderated by culture, and in particular by the relative weight attached by different societies to income. For instance, getting poor in societies where the ideal of success is a monotonic function of income might have (more) adverse well-being effects than getting poor where income matters less for one's own life satisfaction.

A relevant contribution to the determinants of happiness is proposed by Leonardo Becchetti (LB hereon), who theoretically formalizes and attempts to measure *generativity* as a source of well-being. Originally based on Erickson (1950)'s pioneering idea of the midlife desire to contribute to society by shaping younger generations as productive members of society (e.g. by mentoring), generativity has been extended also to other life domains where individuals can realize their desire to generate inter-generational changes, e.g. in the political, social, cultural, scientific, spiritual, and entrepreneurial life. Looking at consumer's behavior from an economic point of view, the human being's taste for generativity can be largely observed in the real world. For instance, people commonly make donations of time and money, have other-regarding preferences as shown by lab and field experiments, and are willing to pay a premium for environmentally and socially responsible products. In all these cases, individuals' behavior diverges from what predicted by classic homo-economicus paradigm. Humans may act according to (strategically) altruistic motives, whereby utility-maximization transcends the boundaries of the immediate and shortsighted self, and incorporates the long-term well-being of the society. In doing so, humans maximize also their own future wellbeing and the wellbeing of the offspring. By retaining the maximization axiom of human behavior, rather than a radical change, this vision can be considered as an evolution or an expansion of the "old paradigm", whereby agents are myopic self-interested utility or profit maximizers. The "new paradigm", as proposed (also) by the Civil Economy School, models individuals, on the one hand, as "sense seekers", who combine self-regarding and other-regarding preferences so to reach Pareto superior outcomes in social dilemmas; corporations, on the other hand, aim at creating value added for stakeholders and increasing social impact. The political economy implications of this vision require moving from what LB defines a "two-hand approach", whereby coordination of the individual spirits for the achievement of the social optimum requires the invisible hands of the market and the state, to a "four-hands" approach, where the two additional hands of active citizenship and responsible firms adds up to the aforementioned coordination devices. Formulated as such, it is even clearer that this vision represents an evolution and enrichment of the canonical axioms driving human behavior, rather than a radical change. Nevertheless, the new paradigm suggested by LB and, more in general, by the Civil Economy school, is definitely a step ahead in the comprehension of human behavior even though it does not require abandoning the traditional way of formalizing preferences. Some of the traditional axioms of preferences (e.g. utility maximization and rationality), are retained, yet others (e.g. self-interest, context-independent preferences) are enriched or replaced by more realistic reasons of behavior. These incorporate, for instance, the inter-generational maximization of well-being, other-regarding and context-dependent preferences, non-myopic consumption behavior, and – connected with what discussed above – the role of emotions in decision-making. Against this backdrop, as suggested by LB, generativity can be thought of as a specific type of "intergenerational" other-regarding preferences, and as a stimulus good à la Scitovsky (1976) rather than a comfort good. The long-term enjoyment resulting from generativity requires prior short-run investment in costly effort, e.g. skill accumulation. In other words, investment in generativity might require sacrificing a portion of happiness at the beginning of life, which is more than compensated by the achievement of perpetual joy in the future. In facts, as all stimulus goods, also generativity might not be subject to hedonic adaptation. In this framework, impatient, myopic and emotional consumers might therefore decide to underinvest in stimulus goods and overinvest in comfort goods. However, by doing so, they maximize happiness only in the short term, but fail to anticipate the future decline in wellbeing due to adaptation. With a certain degree of paternalism, the paradigm proposed by the Civil Economy school seems to propose policy interventions aimed at pushing individuals towards the investment in stimulus goods, such as generative actions and social relations, rather than in comfort goods, e.g. buy a television.

While such paradigm is an important step ahead in the understanding of human behavior, whether it is generalizable to all set of contexts is still an open question. It seems that this paradigm has predictive power mainly for the "WEIRD" countries, i.e. Western, Educated, Industrialized, Rich, and Democratic societies. In these contexts, lack of social support and scarce investment in generative actions and social relations may well explain, for instance, the upraise in midlife mortality from "deaths of despair" (drugs, alcohol, and suicide) across white, non-Hispanic US citizens (Case and Deaton 2017). In contrast, in non-WEIRD contexts, lack of individual freedom, unmet basic needs, and limited state capacity might put serious obstacles to the realization of the wellbeing effects of generativity and social relations. Recent data from the World Happiness Report show that social support and good institutions (but not income) matter for cognitive and emotional well-being (Helliwell *et al.* 2019), yet these correlations result from estimates pooling all world countries. It is therefore difficult to identify the specific role of these factors in non-WEIRD regions, where unhappiness is on the rise: negative affect is dramatically increasing in Sub-Saharan Africa and South Asia (Helliwell *et al.* 2019). In the light of this evidence, how can the paradigm proposed by the Civil Economy school be applied to these countries, and which could be a possible policy implication? LB and the Civil Economy school are certainly doing a great job in explaining (un)happiness in countries at the flatter part of the income-happiness curve. Yet not so much emphasis has been put so far on how the proposed paradigm could be applied to the set of countries at the raising part of that curve. Future studies should definitely look more closely into this issue.

From the empirical point of view, a noteworthy contribution to the operationalization of generativity is proposed by LB in a paper coauthored with D. Bellucci (Becchetti and Bellucci 2018). Combining the SHARE dataset (Survey of Health, Ageing and Retirement in Europe) with the EQI (European Quality of Government Index) at regional level, the authors attempt to measure three types of generativity, i.e. i) individual generativity potential (income, health, and education); ii) local generativity potential (lack of corruption, economic freedom and equal treatment); iii) generativity in act, which involves all individual actions that may have a positive effect on lives of other human beings (not only leisure activities, such as voluntary work or participation to social or political groups, but also working activities). The latter is measured through proxies for social generativity (participation in vocational and charity work, sport and social club attendance, political activities engagement, provision of help or monetary support to friends or family members), biological generativity (number of children) and generativity in the workplace, distinguishing among low generative jobs (plant and machine operator or assembler, elementary occupation, armed forces), ii) mid generative jobs (technician, associate professional, skilled agricultural or fishery worker, service worker and shop and market sale, craft and related trades worker) and iii) high generative jobs (professional, clerk, legislator, senior official or manager). All these components enter as controls in a subjective well-being regression controlling for years and country dummies. The authors find that generativity in act (both in its leisure and work dimensions) has a positive and significant effect on life satisfaction and more so to life meaning. They also report evidence of higher marginal utility of generativity for those individuals with lower individual generativity power (i.e., with living conditions that make generativity more difficult such as older respondents, or with lower income and health). This paper is definitely a pioneering attempt to add to the theoretical definition of generativity an empirical counterpart. However, as all composite indexes, authors have to motivate better the inclusion of some items and the exclusion of other items that could also be relevant to the underlying construct they want to measure. For instance, besides the number of children in itself, the authors could look at the time spent with children and grandchildren, or at the distance from family members. Moreover, proxies for social generativity could just capture other-regarding preferences, but we all know already that the latter are positively connected with life satisfaction. To boost the innovative content of the paper, the authors should pay more attention to whether and how the formalization of generativity interact with, overlap with or differ from all factors that previous studies have already found important for happiness. Finally, endogeneity can be certainly an issue; the authors should underline that nature of the paper is more correlational than causal.

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