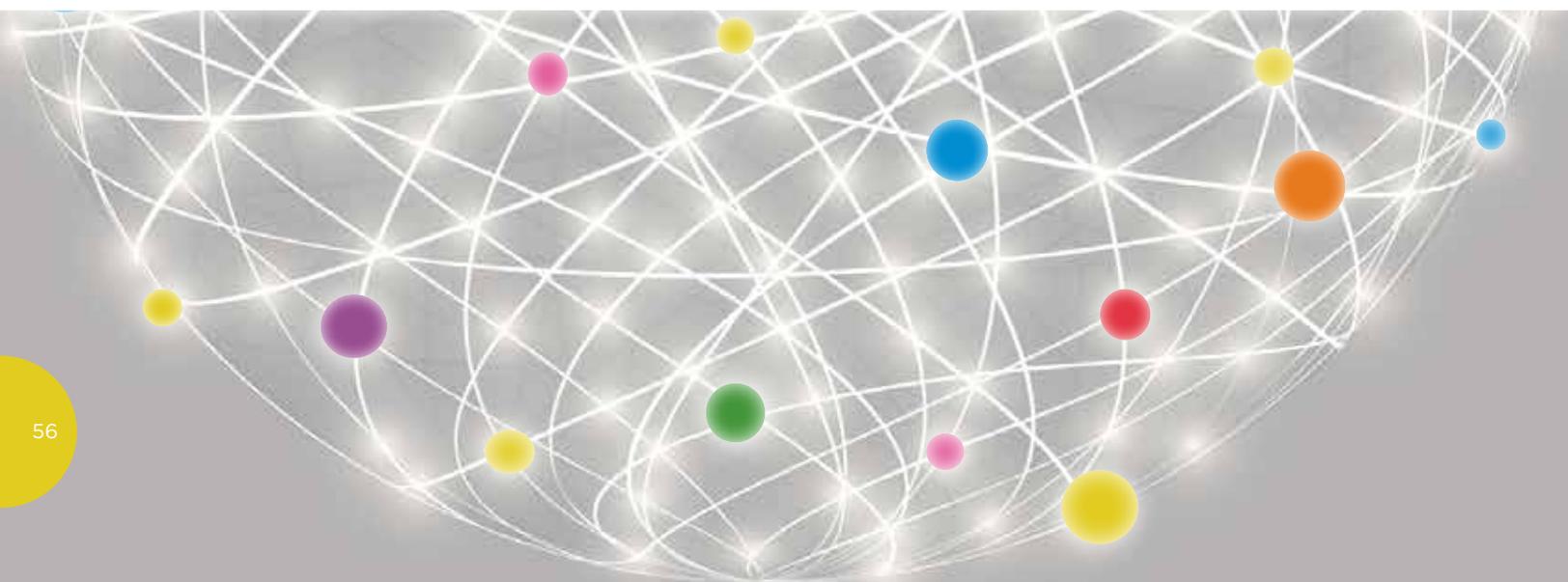


## Chapter 4

# HAPPINESS AND SUSTAINABLE DEVELOPMENT: CONCEPTS AND EVIDENCE

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The study of Politics, Aristotle declared, is “to consider what form of political community is best of all for those who are most able to realize their ideal of life” (*The Politics*, Book II).<sup>1</sup> This question has vexed philosophers, statesmen, politicians, and citizens from Aristotle’s time until ours. Machiavelli gave guidance to the Prince on maintaining power;<sup>2</sup> Bentham gave guidance to the legislators on promoting “the greatest happiness of the greatest number”;<sup>3</sup> and Rawls and Nozick tried to establish principles of justice, for Rawls’ tested according to a “veil of ignorance,”<sup>4</sup> and for Nozick according to the libertarian idea of consensual exchange.<sup>5</sup> But largely missing from this long and great tradition of moral and political philosophy has been empirical evidence. The new science of Happiness therefore adds critical empirical evidence to the search for the ideal political community.

John Helliwell’s path-breaking work, featured in this and past World Happiness Reports,<sup>6</sup> has documented that people’s own report of their life satisfaction – that is their Subjective Well-being (SWB) – reflects several dimensions of their lives. Happiness depends on *individual* factors such as personality, income, health, and the individual’s perceived freedom to make important life choices. Happiness also depends on *social* determinants such as the degree of trust in the community, and on *political* factors such as the government’s adherence to the rule of law. There is some evidence, discussed below, that happiness depends directly on nature as well, whether because of *biophilia* (love for nature as a facet of human nature) or because of the natural services provided by the environment.

When economists think about human happiness, they of course tend to emphasize the role of personal income; libertarians emphasize personal freedoms; sociologists emphasize social capital including generalized trust in the society; and political scientists emphasize the constitutional order and the control of corruption. Yet none of these disciplines do justice to

the fact that happiness is multivalent, and that no single goal of society – economic efficiency, personal freedom, community trust, constitutional rule, or others – by itself delivers the “good society” sought by Aristotle.<sup>7</sup>

Happiness plays three roles on the path to the good society. First, as Aristotle emphasized, it is the *Summum Bonum*,<sup>8</sup> the supreme good. Defining the sources of happiness has engaged the labors of philosophers since Aristotle first set out the goal in *The Politics* and *The Nichomachean Ethics*. Yet human happiness has remained the end goal, the *telos* of social organization.

Second, happiness has become metric, a quantitative benchmark. Thanks to the work of hundreds of psychologists and other social scientists in recent decades, we have arrived at systematic, tested and widely accepted measurements of self-reported (or subjective) happiness. The *World Happiness Report* has emphasized the two main dimensions of happiness: evaluative and affective. Evaluative happiness, for example as measured by the Cantril Ladder featured in the World Happiness Reports, asks individuals for an evaluation of the overall quality of one’s life. Affective happiness, by contrast, measures the fluctuating emotions at a point of time, including both positive and negative emotions.

Third, happiness metrics offers a way to test alternative theories of happiness and the social good. Moral philosophers from ancient times until now could argue their case, but not test their theories. Now we can use survey data on happiness to weigh alternative theories of “the good society.” In effect, happiness studies represent an important advance of moral philosophy since age-old questions about human well-being can now be tested.

## Theories of Happiness

There are of course many competing theories of human well-being, both secular and religious. To even describe these theories at any length and soundness would require a volume or volumes, not a brief note. Still, at grave risk of trivialization, I would like to argue that various theories put different relative weights on six dimensions of happiness.

**Mindfulness.** Many theories of happiness, including Buddhism, Aristotelian virtue ethics, Stoicism, traditional Christian theology, and Positive Psychology, emphasize the path to happiness through the cultivation of mindfulness, attitudes, values, habits, dispositions, and virtues. The emphasis is placed on character, mindfulness and mental health rather than the objective circumstances facing the individual, whether economic, social, or political.

**Consumerism.** Anglo-American economics has long emphasized the role of personal income and market opportunities in enabling individuals to meet their needs. The emphasis is on the individual as a rational consumer, acting to maximize individual utility (or material preferences) subject to a budget constraint. Easing the consumer budget constraint (that is, raising income) is the key to raising well-being in this view.

**Economic freedom.** For Mill, Nietzsche, Rand, Hayek, and Nozick in their very different and distinctive ways, happiness is achieved through personal freedom of action. In the extreme modern form, Libertarianism places liberty as the *Summum Bonum*, and as the key to social organization through a minimal state.

**The dignity of work.** Human beings are creators and explorers. They aim to discover, create, build, innovate, and change the world around them. Therefore, the quality of work life, the single biggest part of our waking adult lives, must surely count heavily for the quality of life.

Drudgery and unemployment are shunned; stimulating work and decent work conditions are crucial for well-being.

**Good Governance.** Aristotle declares in *The Politics* that: “the state is a creation of nature, and that man is by nature a political animal.” The state, emphasizes Aristotle, “comes into existence, originating in the bare needs of life, and continuing in existence for the sake of a good life.” The quality of governance is, therefore, key. The administration of justice, writes Aristotle, is “the principle of order in political society.”<sup>9</sup>

**Social trust.** In the same vein, Aristotle declares that, “A social instinct is implanted in all men by nature.” The ability of men to live harmoniously with others in society is a key virtue. He who is sufficient for himself, Aristotle famously declared, is “either beast or god.”<sup>10</sup>

Theories of Happiness put emphasis on one or another of these various dimensions. The economists emphasize the importance of raising wealth and consumption; the libertarians, personal liberty; communitarians, the social capital; Calvinists, respectable work; Buddhists and virtue ethicists, the cultivation of mindfulness and virtue. Partisans of these contrasting approaches have long fought bitterly across ideological lines. Communitarians accuse libertarians of neglecting social capital; libertarians accuse communitarians of undermining personal liberty. Even the levying of taxes to pay for public goods, according to libertarians, is a denial of personal liberty. Libertarians may argue for generosity, including charity, and reciprocity, but only on the basis of explicit individual consent.

A more incisive approach, I believe, is to embrace holism, that is, to recognize the fact that the cause of human well-being are complex and not reducible to a single dimension. To achieve happiness requires the cultivation of mindfulness

and virtue, to be sure; but it also requires an adequate command over material resources, as emphasized by economists; decent work; personal freedoms; good governance; and strong social ties. Of course there are difficult and unsolved complexities in meeting this multi-dimensional challenge, especially in a world of 193 countries and 7.3 billion individuals.

In 2015, two important documents – one religious, one secular – aimed to offer holistic approaches to human well-being. In his encyclical *Laudato Si'*, Pope Francis calls for a “sustainable and integral development.”<sup>11</sup> The Pope’s emphasis “integral” reflects the need to consider the human person in all contexts: as a moral agent, a member of society, an agent in the economy, and a part of nature itself, bound by natural laws and highly vulnerable to the degradation of the physical environment. In the encyclical, Pope Francis notes that, “Interdependence obliges us to think of *one world with a common plan*.”<sup>12</sup> One can say that the Pope’s call for a common plan was met by the second holistic document, *Transforming Our World: the 2030 Agenda for Sustainable Development*, which was adopted by the 193 UN member states on September 25, 2015 to guide global cooperation during the period January 1, 2016 to December 31, 2030. At the core of the 2030 Agenda are 17 Sustainable Development Goals (SDGs).<sup>13</sup>

### *Laudato Si'*

Pope Francis issued an encyclical *Laudato Si'* to “to enter into a dialogue with all people,” Catholics and non-Catholics, “about our common home.”<sup>14</sup> In this encyclical, Pope Francis unravels the mystery of a world that enjoys unprecedented technological prowess and yet is beset by profound and growing anxieties, pervasive marginalization of the vulnerable (such as migrants and those caught in human trafficking), fear of the future, and environmental destruction.

Francis centers the problem on a false belief of the modern age that has put technocratic approaches and profits above all other human concerns. He terms this a “misguided anthropocentrism” that has given rise to a “cult of unlimited power,” and the rise of a moral relativism “which sees everything as irrelevant unless it serves one’s own immediate interests. “The culture of relativism is the same disorder which drives one person to take advantage of another, to treat others as mere objects, imposing forced labour on them or enslaving them to pay their debts.”<sup>15</sup>

Instead, Francis calls for a new holism that he terms “integral ecology” and “integral human development.” By this he means an anthropology (theory of human nature) that recognizes each person’s deep interconnections with others and with physical nature (“The Creation”). Francis bemoans the fact that specialization, “which belongs to technology,” also “makes it difficult to see the larger picture.”<sup>16</sup>

What is the larger picture? That “we can once more broaden our vision. We have the freedom needed to limit and direct technology; we can put it at the service of another type of progress, one which is healthier, more human, more social, more integral.” We break free from the dominant technocratic paradigm, writes Francis, when “technology is directed primarily to resolving people’s concrete problems, truly helping them live with more dignity and less suffering.”<sup>17</sup>

Such steps are crucial to return to the possibilities of happiness. “There is also the fact,” writes Francis, “that people no longer seem to believe in a happy future; they no longer have blind trust in a better tomorrow based on the present state of the world and our technological abilities. There is a growing awareness that scientific and technological progress cannot be equated with the progress of humanity and history... Let us refuse to resign ourselves to this, and continue to wonder about the purpose and meaning of everything.”<sup>18</sup>

Where lie the answers for Pope Francis? He places his emphasis on an integral ecology that cares for the poor, protects culture, directs technologies towards their highest purposes, overcomes consumerism, returns dignity to work, and protects the environment. An overarching theme is that the unifying principle of social ethics is “the common good,” which he quotes the Second Vatican Ecumenical Council’s definition as “the sum of those conditions of social life which allow social groups and their individual member’s relatively thorough and ready access to their own fulfillment.” Society as a whole is “obliged to defend and promote the common good.”<sup>19</sup>

It is worth noting Francis’ special emphasis on work as an empowering source of well-being. Francis writes as follows:

We need to remember that that men and women have ‘the capacity to improve their lot, to further their moral growth and to develop their spiritual endowments’ (quoting Pope Paul VI).<sup>20</sup> Work should be the setting for this rich personal growth, where many aspects of life enter into play: creativity, planning for the future, developing our talents, living out our values, relating to others, giving glory to God. It follows that, in the reality of today’s global society, it is essential that “we continue to prioritize the goal of access to steady employment for everyone” (quoting Benedict XVI), no matter the limited interests of business and dubious economic reasoning.<sup>21</sup>

## The 2030 Agenda for Sustainable Development

The affinity between the 2030 *Agenda* and *Laudato Si’* is striking. While Pope Francis speaks of integral development, the UN member states adopted the language of “sustainable development” (a term that Francis also uses on occasion in *Laudato Si’*). By this term they mean the same

holistic approach to economy, society, and environment emphasized by Francis. The agenda is bold, multi-dimensional, and universal in coverage, meaning that all nations have agreed to participate so that no one is “left behind.”

Here is what the nations mean by sustainable development:

We resolve, between now and 2030, to end poverty and hunger everywhere; to reduce ill health, physical and mental; to combat inequalities within and among countries; to build peaceful, just and inclusive societies; to protect human rights and promote gender equality and the empowerment of women and girls; and to ensure the lasting protection of the planet and its natural resources. We resolve also to create conditions for sustainable, inclusive and sustained economic growth, shared prosperity and decent work for all, taking into account different levels of national development and capacities.<sup>22</sup>

While the language of the 2030 *Agenda* is about goals, timelines, human rights, and sovereign responsibilities, the agenda clearly embodies an implicit theory of human well-being, specifically that human well-being will be fostered by a holistic agenda of economic, social, and environmental objectives, rather than a narrow agenda of economic growth alone. As spelled out in the 17 Sustainable Development Goals, this implicit theory of happiness includes fighting poverty (SDG 1), promoting gender equality (SDG 5), emphasizing decent work for all (SDG 8), narrowing gaps of income and wealth in society (SDG 10), promoting environmental sustainability (SDGs 11, 12, 13, 14, 15), fostering peaceful and inclusive societies (SDG 16) and enhancing global cooperation (SDG 17).<sup>23</sup>

## Using Happiness Data to Examine Alternative Visions of Well-being

Happiness data offer a powerful new tool for examining alternative visions of human well-being. We can measure countries according to competing theories of happiness. I will focus on three prevalent theories: Economic Freedom (libertarianism), Wealth Generation (consumerism), and Sustainable Development (holism).

Libertarians champion economic freedom, meaning the absence of coercion in resource allocation, including opposition to taxes and government spending as a matter of principle. The Wall Street Journal and the Libertarian-oriented Heritage Foundation (Washington, D.C.) produced an Index of Economic Freedom (IEF) as a measure of each country's adherence to standards of economic freedom.

Economists emphasize real consumption and full employment as key conditions of happiness. The main societal goal is towards economic growth, which is seen as raising the consumption possibilities of members of the society. The World Economic Forum produces an annual Global Competitiveness Index (GCI) that aims to capture the ability of each country to generate good jobs and high incomes for the population.

Sustainable Development advocates claim that the happiness is achieved through a multi-dimensional focus on economic, social, and environmental objectives. The 17 SDGs express the idea that the “good society” should focus on the triple bottom line of economic prosperity, social inclusion, and environmental sustainability. The UN Sustainable Development Solutions Network (UN SDSN), which publishes the *World Happiness Report*, has created an SDG Index (SDGI) to track each country's progress towards the 17 SDGs.

If we consider these three alternative measures (IEF, GCI, and SDGI) as embodying alternative

underlying “theories of happiness,” we can ask whether these alternative indexes help to explain the cross-country average levels of happiness. For example, are the countries that excel in economic freedom (with low tax rates, free trade, and few regulations) according to the IEF also those that achieve higher levels of happiness? Are countries that are more economically competitive according to the GCI also the happier countries on average? Are countries that are farther along towards the SDGs according to the SDGI also higher on the happiness scale?

A quick summary of these indicators is as follows.

The IEF aims to assess “the liberty of individuals to use their labor or finances without undue restraint and government interference.” It is composed of 10 sub-indexes that may be grouped into four broad categories: Rule of law (property rights, freedom from corruption); Government size (fiscal freedom, government spending); Regulatory efficiency (business freedom, labor freedom, monetary freedom); and Market openness (trade freedom, investment freedom, financial freedom). The Wall Street Journal and the Heritage Foundation in Washington, D.C. jointly author the IEF.

The GCI aims to measure the factors that contribute to a country's global competitiveness, which the authors define as “the set of institutions, policies, and factors that determine the level of productivity of an economy, which in turn sets the level of prosperity that the country can earn.” As the Global Competitiveness Report describes, “the GCI combines 114 indicators that capture concepts that matter for productivity. These indicators are grouped into 12 pillars: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation.” The World Economic Forum authors the GCI.

The SDG Index aims to measure SDG achievement across the 17 goals, using currently available national cross-country data. For each goal, one or more cross-country indicators are selected and averaged to produce one sub-index per SDG. In turn, the 17 sub-indexes are then aggregated to produce an overall measure of SDG achievement. In this paper we aggregate

the sub-indexes as a geometric average (that is, the 17 sub-indexes are multiplied together and then raised to power  $1/17$ ). The purpose is to assess each country's achievement across the economic, social, and environmental objectives of the SDGs. The Sustainable Development Solutions Network Secretariat authors the SDG Index.

**Table 1. Sustainable development and well-being regression results**

	Cantril Ladder (1)	Cantril Ladder (2)	Cantril Ladder (3)	Cantril Ladder (4)	Cantril Ladder (5)
SDG Index (SDSN)	0.051 *** (13.46)	-	-	0.029 *** (5.22)	0.019 ** (2.62)
GCI (Global Competitiveness Index 2015-2016)	-	1.267 *** (13.31)	-	0.705 *** (4.21)	0.115 (0.57)
IEF (Index of Economic Freedom 2016)	-	-	0.069 *** (8.18)	-0.001 (-0.06)	0.009 (0.92)
LGDPpc (GDP per capita)	-	-	-	-	0.488 *** (4.05)
Unemployment Rate (IEF Data Set)	-	-	-	-	-0.037 *** (-3.67)
Adjusted R-squared	0.604	0.599	0.359	0.67	0.735
N	119	119	119	119	109

Notes: t-statistics are reported in parentheses. \*\*\*, \*\*, and \* indicate significance at the 1, 5 and 10 percent levels respectively.

The basic regression results are shown in Table 1. The LHS variable is the Cantril Ladder (CL) indicator of evaluative happiness as calculated by Helliwell et al in Chapter 2.<sup>24</sup> The RHS variables in the initial regressions are the 2015 GCI, 2016 IEF, and 2016 SDGI. In the case of the SDGI, which is built up from roughly 40 individual indicators, I make one adjustment, to remove the Cantril Ladder from the SDG Index itself, since CL is included among the individual indicators. The SDG Index used in the regressions is therefore slightly different from the SDG Index as reported by the SDSN (2016). Note that constant terms are included in all regressions but not reported in the table.

There are 119 countries with data for CL, GCI, IEF, and SDGI. In bivariate regressions of CL on the three indexes, both the SDGI and GCI account for around 60 percent of the variation of CL (regressions 1 and 2), while the IEF is a much weaker explanatory variable, accounting for only around 36 percent (regression 3). When all three indexes are included in regression (4), the GCI and SDGI are highly significant, while the IEF is not significant and has a negative sign. In other words, economic freedom *per se* does not seem to explain much, if anything, about cross-country happiness after controlling for national competitiveness (GCI) and progress towards the SDGs (SDGI).

This simple cross-country evidence suggests that both economic competitiveness and SDG achievement, but not economic freedom, explain aspects of well-being. To understand whether GCI and SDGI are capturing determinants of happiness beyond the standard macroeconomic determinants, we next add national income per capita and the unemployment rate to the regression. Do the GCI and SDGI help to explain cross-national happiness beyond their correlation with national income per capita and with unemployment?

In regression (5) we see the results. Higher national income per capita and a lower unemployment rate both contribute significantly to explaining cross-national variations in happiness. Once those two variables are included on the RHS, the GCI lacks explanatory power, while SDGI remains statistically significant. The SDG Index contains information about well-being that goes beyond these two macroeconomic variables, while GCI does not. This finding is in line with the basic premise that that happiness depends not only on economic variables but on social and environmental factors as well.

Future research will attempt to incorporate additional aspects of sustainable development into the research framework established in Chapter 2.<sup>25</sup> Using the panel data reported, Helliwell et al have already demonstrated that health and social factors (trust, generosity, corruption) are key determinants of cross-country happiness. Notably, both healthy life expectancy and corruption are part of the current SDG Index. In future studies we will examine whether other dimensions of the SDG Index – for example gender equality, clean air and water, and urban sustainability – add further explanatory power to the cross-country happiness results in the panel data. We should also stress that some issues, such as the importance of mental health, can only be studied if we move from comparison between countries to comparisons between individuals.

## Conclusions and Follow Up

As Helliwell et al (2013, 2015, 2016) emphasize, happiness is the product of many facets of society. Income per capita matters, as economists emphasize, but so too do social conditions, work conditions, health, pollution, and values (e.g. generosity). The libertarian argument that economic freedom should be championed above all other values decisively fails the happiness test: there is no evidence that economic freedom per se is a major direct contributor of human well-being above and beyond what it might contribute towards per capita income and employment. Individual freedom matters for happiness, but among many objectives and values, not to the exclusion of those other considerations. Sustainable development and related holistic concepts (such as Pope Francis's integral human development) are a better overarching guide to human wellbeing than the single-minded pursuit of income, or economic freedom, or other one-dimensional objective.

We still have many crucial things to learn about the deep sources of human well-being. I believe that we should explore more deeply the specific characteristics of work that are favorable or unfavorable to happiness, for as Pope Francis emphasizes, the satisfaction with work is a fundamental source of human well-being. Arduous, dangerous labor, such as the physically difficult work of countless smallholder farmers, is likely to impinge directly and adversely on subjective well-being. We also need to explore in much more detail how the cultivation of mindfulness and personal virtues may contribute to long-term happiness. We should examine whether environmental degradation (e.g. air pollution) directly lowers well-being beyond the effects on human health and productivity. We have only touched the surface concerning the relationship of happiness and sustainable development, but the preliminary evidence is heartening: the SDGs are likely to help us move along a path of higher well-being as expressed by the world's people themselves.

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2. Machiavelli (1513).
3. Bentham (1789).
4. Rawls (1971).
5. Nozick (1974).
6. World Happiness Reports (2013, 2015, 2016).
7. Aristotle (1902).
8. Aristotle (1902).
9. Aristotle (1902).
10. Aristotle (1902).
11. Pope Francis, 13. (2015).
12. Pope Francis, 164. (2015).
13. Transforming our world: the 2030 Agenda for Sustainable Development.
14. Pope Francis (2015).
15. Pope Francis, 123. (2015).
16. Pope Francis, 110. (2015).
17. Pope Francis, 112. (2015).
18. Pope Francis, 113. (2015).
19. Pope Francis, 156. (2015).
20. Pope Paul VI (1967).
21. Pope Francis, 128. (2015).
22. 2030 Agenda for Sustainable Development.
23. Transforming our world: the 2030 Agenda for Sustainable Development.
24. Helliwell, et al. (2016).
25. Helliwell, et al. (2016).

## Data Annex

All variables are for the most recent years. They are taken from the following sources:

GCI: *The Global Competitiveness Report (2015-2016)*. The World Economic Forum. <http://reports.weforum.org/global-competitiveness-report-2015-2016/>

IEF: *Index of Economic Freedom (2016)*. The Wall Street Journal and The Heritage Foundation. <http://www.heritage.org/index/about>

LGDPpc (Log GDP per capita): Helliwell, J. F., Huang, H., & Wang, S. (2015). The geography of world happiness, *World Happiness Report 2015*. New York: Sustainable Development Solutions Network. <http://worldhappiness.report/download/>

Unemployment: *Index of Economic Freedom (2016)*. The Wall Street Journal and the Heritage Foundation. <http://www.heritage.org/index/about>

SDG Index: Sustainable Development Solutions Network. *Preliminary Sustainable Development Goal (SDG) Index and Dashboard (2016)*. <http://unsdsn.org/resources/publications/sdg-index/>

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