

Creative Economy

Toshiaki Tachibanaki *Editor*

Advances in Happiness Research

A Comparative Perspective

 Springer

Creative Economy

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As the global economy has developed, we have seen severe competition and polarisation in income distribution. With this drastic change in the economic system, creativity with a high market value has come to be considered the main source of competitiveness. In addition to the improvement of competitiveness, however, we are required to work toward fairness in society.

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Editor

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A Comparative Perspective

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Preface

Recent years have seen a blossoming of happiness studies across diverse academic disciplines. It is now recognised that the accumulation of wealth over the past decades in developed countries has not necessarily made people happier. Accordingly, economists have wondered whether this is a universal phenomenon and examined the causes and sources of happiness, while psychologists have investigated the mechanisms of subjective feelings. Researchers in other fields, too, have explored the relationship between happiness and conditions of employment, family, and health.

This edited volume aims to contribute to the literature on happiness by compiling studies based on cross-national research and conducted in diverse academic disciplines. The book is distinctive in a number of ways. It contains both theoretical and empirical analyses and investigates the relationships between the causes of happiness and economic behaviour concerning employment, consumption, and saving. Most notably, this book is one of the first works in this subject area to analyse microdata collected in Europe, the United States, and Japan with information on respondents' attributes and their economic behaviour, as well as one of the first to measure inter-temporal happiness by principal factor analysis. Furthermore, the book breaks new ground with a few papers on the relationship between the arts and culture and happiness, an area that has so far remained underexplored in the existing research.

It is known that the causes and levels of happiness encountered in developed countries and developing countries are different. This book focuses specifically on developed countries and investigates the causes of happiness found to be significant. We are particularly interested in the following three issues related to happiness, which many of the papers in this book address directly. The first is the relationship between economic inequality and happiness felt by people in developed countries. As a recent publication by Piketty (*Capital in the twenty-first century*) has shown, in developed countries the degree of income inequality is sharply increasing, and the distribution of wealth is becoming more and more skewed. We might wonder, for example, whether unhappiness is more common in people living in a country with

greater inequality. An important question then follows: Should the government try to reduce inequality via its economic and other policies to increase happiness?

Our second area of interest is working conditions, since nearly all people of working age spend about a third of each day working to receive wages and income to sustain their economic livelihood. It would be ideal if people felt happy from work, as it takes up so much of their time. We therefore pose the following questions. What working conditions—such as employment status (full-time or part-time), wages, working hours, and work–life balance—are satisfactory from a worker’s point of view? Furthermore, what are the effects of employers’ policies on employment and wages?

Our third area of interest is a little unusual in happiness research: leisure. Leisure is important for people in developed countries because they tend to have more free time and disposable income, affording them the opportunity for various activities outside the home and work, such as participating in sports or the arts. In this book, we are limited to an investigation of the arts and culture within the broadly defined area of leisure on happiness, but we hope that the relevant chapters highlight the importance of this area and encourage further research in the future.

In addition to the above three major areas of inquiry, the book includes more specific subjects: inter-temporal measurement of happiness, the Easterlin paradox, suicide, and immigration, among others. Overall, the research findings in this book shed new light on various aspects of happiness and suggest public policies for a number of areas, such as employment, family, social welfare, urban and regional planning, and culture. We hope readers will be pleasantly surprised with the variety and diversity of approaches to happiness research presented here.

The research project on which this book is based was initiated by the Life Risk Research Center and the Center for the Study of the Creative Economy of Doshisha University. The centres have organised two international conferences, one in Kyoto in 2013 and the other in Paris in 2014. L’École des Hautes Études en Sciences Sociales (EHESS), in Paris, and Keio University, in Tokyo, generously provided financial support for these conferences, and EHESS provided the venue and helped with logistics for the Paris conference. We are very grateful to these institutions for enabling these fruitful endeavours. Many of the papers contained in this book were presented at these conferences, and the subsequent comments and discussions enabled all contributors to make substantial revisions. We thank the members of the book’s editorial board—Bruno Frey, Victor Ginsburgh, Nobuko Kawashima, Sebastien Lechevalier, Werner Pascha, Aki Tsuchiya, and Tadashi Yagi—for their valuable advice and suggestions, as well as their comments on individual chapters. Their efforts have contributed greatly to improving the quality of this volume.

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Chapter 1

Introduction

Tadashi Yagi

With the increased understanding that wealth accumulation over recent decades in advanced countries has not necessarily made people happier, economists have asked to what extent this phenomenon is universal and examined the causes and sources of happiness, while psychologists have investigated mechanisms of subjective feelings. Researchers from other academic disciplines have also explored the relationship between happiness and employment conditions, family and health.

This edited volume makes a contribution to the literature by bringing together a number of pieces of work based on cross-national research from diverse academic disciplines. The book has many aspects: it contains both theoretical and empirical analyses, investigates the relationship between the causes of happiness and economic behavior, and suggests policy implications. We believe it is distinctive in being one of the first studies in this subject area that analyses micro data collected in Europe, US and Japan with information on respondents' attributes and their economic behavior. The data has made it possible for us to identify those factors that affect happiness by decomposing subjective happiness into positive and negative happiness. In addition, the micro data enables us to analyze the effect of institutional and economic environments such as working conditions on happiness by examining agents' behavior. Furthermore, the theoretical analysis in this volume provides us with a justification for the measures used for capturing inequality and happiness. As is noted in the Preface, the interdisciplinary approach adopted in this volume came about from a collaborative research project between five institutions of higher education in France, the UK, Germany, Switzerland, Belgium, and Japan that lasted for 2 years.

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Part I, Issues in Happiness Research—Concepts, Measurement and Interpretation, is composed of five chapters that form the foundation on which further happiness research can be based. We have greatly benefited from the involvement of Bruno Frey, one of the most distinguished scholars in the economics of happiness, in this project. Rather than starting with a data-driven or issue-focused paper, the book starts with a contribution by Frey and his colleague Gallus in Chap. 2 who discuss the significance of happiness research for public policy. Set within the political/policy context, ‘happiness’, according to them, should be measured by the use of subjective well-being of individuals. This approach is interestingly different from that taken in mainstream economics, which relies on objective indicators. One important message Frey and Gallus deliver is that governments should not try to maximize happiness, as any obsession with this maximization would induce them to manipulate measurement, distort policy orientation as a result, and invite strategic behavior by citizens in response. To conclude, they argue that governments should not *directly* aim to increase the happiness of individuals but provide conditions where people can choose their own ways that lead to their happiness. This may be a discussion typical of libertarian scientists, but the chapter presents detailed, convincing arguments to support it.

Chapter 3 follows the discussion on policy with a valuable contribution from political scientists. The authors Bache and Reardon discuss the appropriate role for government in elevating the happiness of people as a policy goal, resonating with the argument in the preceding Chap. 2 of this book. Defining happiness as a ‘wicked’ problem, they reflect on empirical developments in the UK where the term ‘well-being’ frequently appears in policy documents and speeches. They suggest that it is important not to overstate the nature, extent and pace of change taking place. Change in overall government policy requires a fundamental redefinition of what matters, measurement indicators and the concrete policies that follow from them. Happiness or subjective well-being is one of the concepts like sustainability that might work as meta-frames for policy, but the chapter notes the difficulty of confirming today the coherence and power of these to sustain a significant policy process.

D’Ambrosio in Chap. 4 presents a remarkable discussion on the measurement of individual well-being, namely, regarding its inter-temporal aspect. As she argues, traditional economic modeling has not taken into account the fact that individual well-being depends on both one’s own life course as well as comparisons with other people. The chapter reviews the alternative indices and measurements that try to reflect people’s past experiences and their reference to others in their self-assessment of happiness, and offers some guidance to the recent developments in the literature on happiness, suggesting future research issues for a better understanding of individual well-being.

In Chap. 5, Tiefenbach and Kohlbacher make a contribution to advancing happiness research by arguing for the importance of disaggregating life-satisfaction or happiness into different domains (such as health, income, family etc.) and their importance to the concept of happiness (‘domain importance’). The chapter shows, using the 2010 National Survey on Lifestyle Preferences commissioned by the Japanese Cabinet Office, the significance of domain importance for the

level of overall happiness. The authors also argue that different domain importance configurations affect even the most basic standard control variables, providing a warning to researchers and policy makers regarding the interpretation of data obtained in happiness research.

In Chap. 6, Clark, one of the most prolific established authors in the economics of happiness, probes the two behavioral explanations of the Easterlin Paradox, namely, the effect of social comparisons and adaptation to higher levels of income over time. The chapter reviews the relevant literature and underlines areas where our knowledge is lacking despite the remarkable growth in work on well-being over the past two decades.

Part II is focused on the relationship between income inequality, employment and happiness. It is widely understood that employment has a significant impact on the state of happiness as it is a major source of income for the majority of people, while security in employment can lessen the anxiety about life that is generally felt by the less wealthy. More importantly, work is important for self-actualization and enhancing the meaning of life.

Chapter 7 by Tachibanaki and Sakoda draws on survey findings from the U.S., the U.K., France, Germany, and Japan, the countries at the core of our collaborative research project. One of the most fascinating findings is that in all the countries surveyed, the relationship with a spouse is the most important determinant of happiness for both men and women. In addition, marriage and family stability are found to produce greater happiness in people's lives. Apart from a number of interesting individual findings, one notable contribution of this chapter to the literature is its focus on inequality. As Tachibanaki is an expert on economic inequality, the paper investigates the relationship between happiness and inequality by using people's evaluation of happiness and considers the subjective aspect of inequality by adding "the sense of inequality" as one of the subjective inequality variables.

Chapter 8 by Ballas et al. continues this focus on income inequality and happiness, with a focus on Japan and Britain, and also includes the issue of social cohesion. Building on recent work in the "Spirit Level" by Pickett and Wilkinson, they examine the proposition that Japan is a more equitable and thus socially-cohesive society than is any other industrialized country, including Britain. The conclusion they reach confirms that in the Spirit Level, but the authors underline some gaps to be filled by research in order to provide more sophistication to the general assumption. An interesting argument made in this chapter is that income inequality at the national level can be seen as a proxy for the psycho-social well-being of the whole populations. We here refrain from suggesting how this point of view compares to the discussions in the preceding chapters, but readers are invited to contrast them and explore the following chapters with this issue in mind.

In Chap. 9, Yagi et al. examine the differences in happiness of individuals with different work contracts (i.e., full-time and part-time workers) by comparing data from five countries (Japan, the US, the UK, France, and Germany). Firstly, the authors examine the structure of the labor market in each country by job status and then theoretically incorporate the possibility of cooperation between

'regular workers' and 'non-regular workers'. Secondly, they analyze the effects of employment status on happiness in detail using micro-data. They then compare the mechanisms through which happiness is affected by employment status in five countries by drawing on the international survey on happiness on which this whole project is based.

In Chap. 10, Shirakawa considers the effects of employment opportunities on the level of happiness (subjective well-being) and compares Germany and Japan in this context. He discusses the recent employment environment in these two countries, and constructs hypotheses relating to the mechanisms that affect the happiness of individuals in the labor market. Quantitative data is analyzed to unveil how labor-market integration, i.e. the opportunity to obtain a job and job stability in the two countries, influences happiness. The chapter presents some policy implications.

Over-work is a typical issue not only for family and personal life but also for the efficiency of work itself in many countries. Kawaguchi and Kasai in Chap. 11 compare the effects of paid and unpaid overtime work on stress, earnings, and happiness. Applying a mediation analysis to Japanese data reveals the following: (1) Working time does not cause much stress as long as it is paid; (2) unpaid overtime work significantly increases stress; and (3) stress has a negative effect and earnings a positive effect on happiness. They also find differences between the sexes as follows: (1) female workers' 'unpaid overtime work' is, in fact, compensated; (2) an effect of unpaid overtime work on stress is larger for women than men; and (3) the total effect of unpaid overtime work on happiness is negative, and is larger for women than men. Thus whether workers recognize overtime work as paid or unpaid work has a decisive influence on stress and happiness. This obviously has implications for managers of companies and other organizations.

After covering income and jobs in the preceding two parts, Part III turns to various societal issues, such as family, emigration and the Arts that cast new light on the factors that affect the state of happiness and advance research in happiness.

In Chap. 12, Sakata and McKenzie take up the increasingly wide-spread practice of co-residency of parents and their young, adult, unmarried children in Japan. The authors find that co-residence for parents with their young adult children reduces both the level of life satisfaction and marital satisfaction of Japanese parents. What is interesting as an interpretation and implication of the data findings in this chapter is that co-residency plays a similar role to social security. With the rapidly-aging population in Japan, the big problem of supporting the elderly may seem to coincide with a traditional solution of co-residency across the generations whereby the younger help the elderly. However, the authors suggest that this informal social security mechanism works to support low-income adults at the expense of the material and life satisfaction of their parents, so that this may well be a labor-market issue rather than care for the elderly.

Chapter 13 focuses on the issue of emigration, a phenomenon that is expected to spread increasingly among the highly-skilled and professional in advanced countries in today's globalizing world. The author Erlinghagen investigates the development of individual life satisfaction before emigration from Germany under a life course perspective using longitudinal data from the German Socio Economic

Panel (SOEP). The chapter reveals a significant fall in life satisfaction between 3 and 2 years before the final emigration event. Contrary to the intuition of the author, this overall pattern can also be observed in almost all analyzed sub-groups across gender, education, age and ethnic origin. We expect the author and others to develop more research of a dynamic nature relating happiness and the course of emigration (preparation, actual moving and post-emigration).

In Chap. 14, Itaba focuses on the relationship between happiness (at the micro-level) and city size (at the regional-level). This issue is very relevant today, as globalization has intensified competition between cities to attract high value-added industries and professional or highly-skilled workers who contribute to economic development in these areas. Large cities however have both benefits and costs, which trade-off against each other, and thus may not necessarily be attractive to the kinds of industries and individuals that local policy-makers seek. The author does not find any relationship between happiness and city size measured in Japan using an internet survey conducted in 2011, but does show some causal relationship by using a different modeling technique. The chapter goes on to identify the mechanism by which large cities positively affect happiness, which has policy implications for policy-makers of cities of all sizes.

In Chap. 15, Martínez-Pérez investigates the impact of childcare policies on the life satisfaction of families with dependent children. The focus of the inquiry lies in the comparison of families living in ‘old’ family arrangements (couples with dependent children) versus those living in new family arrangements (lone mothers and fathers with dependent children). This chapter offers novel evidence on the relationship between family structure and life satisfaction in the context of increasing fluidity of the family structure as a result of the changing process of coupledness and the importance of marital instability and divorce risks.

Chapter 16 touches on a daunting topic: suicide. Despite the importance of the issue, because of its sensitivity, large-scale, individual level data has remained unavailable in Japan, a country that has one of the highest rates of suicide among OECD countries. Kuwahara et al. take an alternative route to present a data-supported theory that might be adopted in installing an effective program for suicide prevention by government. The authors consider the risk factors driving Japanese people to commit suicide by the use of a Japanese internet survey data collected in 2012 by the Economic and Social Research Institute (ESRI) of the Cabinet Office of Japan. The survey includes one question to construct what they call “suicidal ideation.” They find a correlation between “suicidal ideation” and subjective well-being, suggesting that the latter seems to have some predictive power regarding suicide risk.

Chapters 17 and 18 turn to the area of the Arts and culture, an area that has so far received little attention in research on happiness and in cultural economics. In Chap. 16, Kawashima casts doubt on the simplistic assumption that cultural policy should try to justify itself by arguing that culture and the Arts contribute to individual happiness. She discusses this issue by examining the pernicious role played by ‘Culture’ in creating and institutionalizing differences and inequality between different groups of people in society. The chapter suggests that rather than

devising ways of measuring the value of culture on its own and in association with other policy purposes (including the enhancement of happiness), cultural policy should insist that culture be seen as an integral part of the whole economic and social system, and as indispensable infrastructure for economic development and social sustainability. The chapter thus breaks a new ground in cultural economics, where the valuation of culture has been a hotly-debated topic for a number of years.

The next chapter also concerns cultural economics. In Chap. 18, Steiner pays attention to a paradox in the artistic labor market: Artists work more, earn less and run a greater risk of becoming unemployed than other workers. This has attracted much attention from cultural economists, who have suggested that individuals who are prone to take risks enter this labor market, or pointed out the stardom phenomenon as a contributory factor. Another, more recent, explanation has been that artists derive high job satisfaction. This proposition obviously has relevance to happiness research, and is the topic of this chapter. Steiner argues that the increased job satisfaction of artists is related not only to the creative nature of the work and its outcome, but also to procedural characteristics, especially having autonomy in choosing working hours and place of work. This argument seems to have implications for business management and public policy in employment, echoing some of the considerations proposed in Part II.

To conclude this introductory chapter, research on happiness needs to be related to that on the creative economy, the series title under which this edited volume is published. One of the important issues in the field of the creative economy is the determinants of the market value of creative activities, such as innovation. Market value is higher when the new products or services enhance consumer happiness, while innovation is more appreciated when it improves societal well-being. It can thus be argued that the ultimate objective of the creative economy is to contribute to the well-being of society, which in turn sustains the economy. In this respect, the first task we need to tackle is the need for a better understanding of the nature of happiness and the identification of the factors that affect it. It is our hope that the following chapters will help us in this task. As noted above, these contributions are of various natures with diverse disciplinary approaches, but shed light on many important issues that have so far received insufficient attention and will help the readers interested in happiness research navigate through the vast, existing literature.

Part I
**Issues in Happiness Research—Concepts,
Measurement and Interpretation**

Chapter 2

Happiness: Research and Policy Considerations

Bruno S. Frey and Jana Gallus

1 On the State of Happiness Research

Some years ago, not even social science professionals knew about the modern, empirically orientated research on happiness. The situation has changed dramatically since then. Happiness research belongs to the hottest subjects not only in economics but far beyond. This fact is revealed by the great interest young scholars pay to the new subject.

Happiness research has been covered by a substantial number of survey articles (e.g. Frey and Stutzer 2002a; Dolan et al. 2008; Stutzer and Frey 2010; MacKerron 2012); books (e.g. Frey and Stutzer 2002b; Layard 2005; Gilbert 2006; Diener and Biswas-Diener 2008; Frey 2008; Easterlin 2010; Graham 2011); and collections of articles (e.g. Kahneman et al. 1999; Easterlin 2002; Frey and Stutzer 2013). As some of these contributions are quite recent and examine the subject well, there is no need to provide yet another overview of happiness research in this book. Let it suffice to outline five reasons that shall show why it is still a fascinating field and well worthwhile to be pursued:

1. Happiness research goes far beyond standard economics as it is still included in most textbooks and even scientific treatises. While the subject has recently received great prominence, it is not yet accepted by the more conservative branch of economics.

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2. Happiness research is based on a skillful use of survey methods. The task is to capture the subjective well-being of individuals. This approach firstly contrasts to standard economics, which focuses on objective measures of what is considered individual “well-being”, such as income. Secondly, the survey approach also contrasts to the recent surge of laboratory experiments, which seek to find evidence on human behavior under controlled, and therefore often contrived, conditions.
3. Happiness research has become politically most relevant. This is illustrated by the statements made by the governments of France, the United Kingdom and China, which claim to be pursuing the happiness of their respective populations (see, for instance, the Sarkozy Report by Stiglitz et al. 2009). More recently, the United Nations have engaged in an effort to develop practical rules and approaches for the pursuit of this goal (Diener 2005; Royal Government of Bhutan 2012).
4. Happiness research is one of the only truly interdisciplinary endeavors. It has been championed by social psychologists, in particular Ed Diener (1984). Economists were even earlier (van Praag 1968; Easterlin 1974). Sociologists and political scientists are also very active in the field (e.g. Lane 2000).
5. There are many open and little explored issues in happiness research waiting for adequate and stimulating analyses. Examples are:
 - The causality issue, in particular between income and happiness. People with higher incomes are clearly happier but happier people are also able to gain a higher income. It is difficult to empirically distinguish the strength of the effect of income on happiness, and that of happiness on income.
 - The measurement of happiness. There are three major types of subjective well-being: affective or short run; life satisfaction, where an overall assessment of one’s life is considered; and the most fundamental concept of eudaimonia, which refers to a “good life”. The refinement of the tools that allow measuring these different dimensions of happiness is an ongoing process.
 - The determinants of happiness, many of which are not yet well explored. This applies in particular to how consumption influences subjective well-being. It is known that psychological factors such as the inability to correctly predict the utility derived from future consumption and limited self-control have a considerable impact on well-being.
 - The effects of war and civil unrest on people’s well-being. Little is known about these, although it is intuitively obvious that deadly strife strongly reduces happiness (Frey 2011a, 2012).
 - The policy implications. While happiness research has provided us with valuable insights of what makes people satisfied with their lives, it remains open in what way this knowledge can and should be used for policy purposes (e.g. Frey and Stutzer 2006, 2010, 2012; Frey 2011b; Frey and Gallus 2012, 2013),

For reasons of space, this text focuses on one of these issues, namely the use of the results gained from happiness research for public policy.