The Economics of Happiness: Future or Reality in Russia?

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Abstract

The scientific paper, which was processed by the author, deals with the issue of urban environment and conditions in which residents feel themselves in this environment more secure, successful and, of course, happy. The article presents a comparative analysis of the Singapore experience in improving the urban environment, which at one time allowed this small Asian country to take a leading position in the world economy. Author believes that the economics of happiness is the economy of the future. Happy people are able to improve their KPI, to work more efficiently; they become more competitive, and, consequently, the country improves its competitiveness. The article deals with different approaches to evaluate the happiness and well-being of residents from different countries and provides examples of projects aimed to improve the happiness of the inhabitants of the cities.

Key words

Competitiveness, Russian Federation, the happiness index, Singapore, improvement, efficiency

JEL Classification: O15, O57, Z13

Introduction

Under current conditions of the world economy development, globalization, numerous local and international conflicts, economists and politicians make much of the production growth, trade, growth or, conversely, drop in prices for energy resources, exchange rates and of an infinite number of ratings. Even at the family dinners all threads conversations often boil down to the discussion of political events, accidents, sanctions, changes in methods of calculating for the World Bank rating or we start to discuss some things about the reduction in the rate of economic development in China.

At the same time governments are carried out numerous reforms, provide some changes at the system of education, health and other structures in order to make people more satisfied and therefore more productive and competitive. But is this the happiness for the common man? And what is the economics of happiness?

1 Methodology

The economics of happiness is a new approach in the world of economic thought which provides a quantitative and theoretical study of the influence of well-being and

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life satisfaction on the economy. The main components are the instrumental factors that enhance the feeling of happiness, rather than income and wealth. Due to international method of determining the criteria for modern quality of life and subjective evaluation, the category of "happiness" can be defined as a state of life satisfaction through the prism of the respective values.

Principles of economics of happiness can be found from the time of the classical school of management. In welfare theory, Adam Smith emphasized the production, considering the well-being as a synonym for wealth, where the wealth is meant a product of material production. J. Bentham considers wealth as a special case of pleasure, and all motives of human behavior equates to the pleasure giving. He proposed to measure well-being by diminution of the sum of the suffering from the sum of pleasure during some period of time.

In 1930 was published the work of Paul Samuelson, who expressed the welfare of the people as a mathematical formula. He "translated" the language of economic theory into the language of mathematics. Around the same time other researchers Simon Kuznets and Richard Stone develop national accounting systems, which became the basis for the evaluation of national and gross domestic product. But in fact the main purpose of their research was the identification of mechanism of state regulation for commodity production in times of economic crisis.

It is interesting that Bhutan (country with population of 700 thousand people) became the first state that instead of the usual GDP started evaluates GNP (gross national happiness index). And still they try to provide all possible measures to create and maintain the conditions that contribute to the happiness of the nation.

The goal of this paper is the research of categories of happiness as a system of values and its influence on national competitiveness that was carried out in scholarly papers of such outstanding Russian and foreign economists as A. Maslow, S. Schwartz, S. Morris, M. Rokeach, G. David, B. Kosovo, L. Gordon, researchers of the Institute of Sociology Russian Academy of Science, M. Goodman, T. Baranova, questionnaire Trompenaars, A. Vardomatskima and others. Our research aims to carry out the analysis of the current state of Economics of Happiness in Russia, to find best practices to implement it.

2 Results and discussion

This part of the paper consists of two sections. First, it shows the best practices from Singapore to build the economics of happiness, some of which could be implement for the Russian economic development. Next section describes some approaches which evaluate the happiness of common man from different countries as also the main measures that helps governments to raise life satisfaction of people in their country. Also we proved some examples of the local projects that could help to reach this goal.

2.1 Best practices from Singapore

To find the answer on the questions mentioned below we need to look at the experience of Singapore at this matter. This country over the last 30 years has turned from The Third World country into a leading financial center with highly qualified specialists; to the country with the lowest rate of corruption, and to the country where people feel themselves confident, secure and happy. Of course, the main credit for it goes to the first President of Singapore Lee Kuan Yew, who thanks to his reforms and sustained political line leads his country to the top of the economic and social development. It is necessary to look through his reforms detailed in order to identify them with the current policy of Russian government as the positive experience of this small Asian country will be useful for the development of Russia.

The first thing Singapore started their reforms in past was protection from bad habits. It was the campaign against spitting, started in early 60s. In our opinion this campaign was the best thing to start with, because it helps Singaporeans to create the image of the people who are ready to change and also change their habits in order to create better life. They have shown themselves as quite persevering nation. And we should say that the problem with for example spitting is a still big case for most of Asian states, as it leads to the spread of diseases such as tuberculosis. And now in Russia we can observe a similar policy against smoking and binge drinking. Unfortunately these measures in Russia do not show the desired results yet.

As the next step of Lee Kuan Yew reforms was urban greening and creating an image of the country with a green oasis in the city centers, perfect lawns, shrubs and golf courses among the skyscrapers. This once again confirms the fact that the country is ready to change, and its citizens want to live in better conditions and they can do it. The question of urban greening is topical question for Russia, but unfortunately not much had changed for now in this regards. Instead of green oases a lot of concrete pads, parking and cottage villages are appearing. Under the best circumstances once a year we could see a demonstrational tree planting by Russian politicians. This issue is becoming increasingly important, and if we want to raise a healthy generation we need to invest in the development of urban environment and ecology in all regions of Russia.

Another interesting area of Lee Kuan Yew reforms was personnel reform. So he created a system of selection and appointment of public figures as well as a system of training young professionals. And the main point here was to create a high-performing team.

"My approach has been to appoint the most capable man who I had at my disposal to led the most important ministries. Usually it was the Ministry of Finance, and in the period of getting of independence it was the Ministry of Defense. That man was Ken Goh Swee. The next most capable of the remaining ministers received the most important of the remaining portfolios. I usually set a task before the Minister and gave him a chance to find the best solution, so we used the target control administration. And this system worked better in a case the minister was a nimble-minded person, was able to use innovation in a case he faced new, unexpected problems. Then my interference in the work of the ministry was limited only to political issues." - Wrote Lee

Kuan Yew in his book "The Singapore Story: From the Third World to the First" (Pikunov, 2012).

The main thing that Lee Kuan Yew reached during the period of his presidential term was building the system that operates on trust and confidence in their colleagues and partners. The government invested in young professionals through study them in the best universities of the world to get more experience, and then cultivate them to highly effective managers.

Many experts have criticized Lee Kuan Yew for the lack of freedoms and democracy in Singapore. State governments here control all processes, but at the same time it is the country with one of the highest living standards in the world. You cannot litter and spitting on the streets in Singapore. Moreover it is banned to import chewing gum to the country. In our view, this policy has proven its effectiveness and is not always right to say that full democracy and the lack of state control so good for country and people. Each country must choose its own path of development, rather than focus on recommendations of the leading world powers.

2.2 Evaluation of happiness in Russia

Previous thesis can be very useful and appropriate for Russian Federation nowadays. The Russian Federation has always developed by their own way without relying on common global trends in accordance with their historical experience, mentality and multinational population. And the experience of Singapore, country which leads The Global Competitiveness Index for many years can be very useful for us.

About the happiness. There are several prevailing indexes, which are measure the sustainable well-being and happiness of the inhabitants all over the world. According to the World Happiness Index 2012 (HPI) the happiest people are live in Costa Rica (see Table. 1).

Table 1 The Happy Planet Index

Rank	Country	HPI
1	Costa Rika	64.036
2	Vietnam	60.439
3	Colombia	59.751
4	Belize	59.290
5	El Salvador	58.887
6	Jamaica	58.534
7	Panama	57.799
34	Switzerland	50.339
89	Slovakia	40.132
90	Singapore	39.782
100	Ukraine	37.583
105	USA	37.340
122	Russia	34.518

Source: <http://gtmarket.ru/ratings/happy-planet-index/info>

Methodology of HPI based on position that in countries where the main emphasis goes on economic growth and industrial development, people are usually do not become happier. The HPI results in general confirm it, as at the top of HPI we could see countries which are not leading industrial nations. The Index uses global data on life expectancy, experienced well-being and Ecological Footprint to calculate this.

As can be seen from the Table 1 Russia takes only place 122, behind in particular Slovakia, United States, Ukraine and several other countries. The HPI report ranks 151 countries and unfortunately comes out only once per 2-3 year. Therefore it is possible that next time we will see some changes in positions of countries it study.

By the estimation of another research center (International Research Center Gallup) happiness index of Russians in 2014 decreased from 32% to 24% (down 8%). At the same time there were no changes in amount of unfortunate people in Russia. Many previously happy Russians moved into the group of "indifferent" (see Figure 1, 2).

Figure 1 The respondents' answers to the question whether they feel themselves happy?

Source: <http://gtmarket.ru/news/2014/02/27/6608>

Figure 2 Dynamic of happy index in Russia during 2012-2014 by Gallup

Source: <http://gtmarket.ru/news/2014/02/27/6608>

To make Gallup research possible were surveyed 70,000 people from 65 countries. We can assume that decline of happy index according to Table 2 caused by political process across Russia now, and many Russian citizens are more concerned about these issues, rather than the matter of personal happiness.

In the context of this paper the most notable could be the Prosperity Index developed by the Institute Legatum. The 2014 Legatum Prosperity Index econometric analysis has identified 89 variables, which are spread across eight sub-indices. Through this process it is possible to identify and analyze the specific factors that contribute to the prosperity of a country.

Groups of sub-indices are follows (Centre of Humanitarian Technologies, 2014):

1. Economy
2. Entrepreneurship & Opportunity (E&O)
3. Governance
4. Education
5. Health
6. Safety & Security
7. Personal freedom
8. Social capital

Each of these sub-indices is estimated from 0 to 142 rating which indicates the position of the country among others (see Table 2). Groups of sub-indices in the table are shown by corresponding numbers.

Table 2 The 2014 Legatum Prosperity Index

Rank	Country	Nº1	Nº2	Nº3	Nº4	Nº5	Nº6	Nº7	Nº8
1	Norway	3	7	7	5	5	6	2	1
2	Switzerland	1	3	1	21	3	11	12	9
10	USA	17	11	12	11	1	31	21	7
18	Singapore	2	12	13	22	18	14	40	45
35	Slovakia	59	37	45	14	29	32	64	51
63	Ukraine	70	57	121	42	77	54	103	40
67	Philippines	40	75	55	76	97	111	50	59
68	Russia	57	46	113	37	44	96	124	67
69	Macedonia	110	63	69	74	52	67	77	82
142	Central African Republic	127	142	128	141	141	135	94	141

Source: <http://gtmarket.ru/ratings/legatum-prosperity-index/info>

As can be seen from the above table, the Russians are dissatisfied with the governance, safety & security and personal freedom. In this regard it should be noted that the assessment for this index research was made not on the basis of direct questioning of residents but on data from World Bank, World Trade Organization, United Nations and other institutions, and these estimates not always could correspond to the realities of this or that particular country.

Therefore we should pay attention to the study conducted by the Russian monitoring agency «New Effector» together with Research Foundation "Regions of Russia"

under the name of "Russian cities Happiness Index" which was made in 2012. This survey involved residents of 100 largest Russian cities. And as it was shown by this survey the feeling of happiness is provided not by income level, but through the sense of security, positive changes and environmental situation in the city.

According to the results of this research most happy people in Russia live in the capital of the Chechen Republic, Grozny city. The estimation was made by the city inhabitants and people in Grozny get to the city the highest rating index – "60". And we should say that in recent years the city has really changed and has become quite attractive both Russians and foreign investors. Second place went to Tyumen, third to Kazan. Ten happiest cities in Russia included also Surgut, Krasnodar, Sochi, Nizhnekamsk, Novorossiysk, Belgorod and Yaroslavl. Moscow and St. Petersburg took only 52 and 16 places respectively. But at the same time inhabitants of these cities have good financial position than others, good level of cities development and improvement. So it is once again proved our statement, that not only income per person or city infrastructure could help you to be happy (NewsEffector, 2012).

The most unfortunate people by the results of this study are citizens from Bratsk, Yuzhno-Sakhalinsk and Chita. Saratov in the ranking takes the 77 position with index of happiness - 36. Only 23% of our Saratov city residents feel themselves safety; 76% of respondents are satisfied with the level of urban development, and 69% of respondents are concerned about the environmental situation in the city.

All of this suggests that the regional government and the city government in Russia have to do the maximum accent on the directions mentioned below to make people in their regions and cities happy. As the resolution of these issues can reduce the outflow of residents outside the city and the region, to reduce unemployment and, ultimately, improve the competitiveness of city, region and country as a whole.

In this regard in Russia we have one very interesting experience of local projects aimed to increase the attractiveness of cities and retain residents in these cities. One such a project called "City Code" in which everyone can talk about their city in the format of small video clips (about any moment of life in the city). As a result everyone in the country get the opportunity to travel across Russian cities through the eyes of people there. The main object of this project is to encourage the viewer to think, to reflect on the fact that he loves the place (city) in which he lives. The first implementation of this project was held in Pervouralsk and showed how many things, places citizens didn't know and notice in their own city. Main object was achieved, level of happiness in Pervouralsk increased a bit but still.

And this is only one small project. Every city, every inhabitant of Russian or other country's towns, villages, and rural areas has unique sense of happiness and joy of life in their hometown, which sometimes we forget. And we need to remember this feeling, to share it with the others and make our city or country even better, successful, competitive and happier.

Conclusion

The question about the economics of happiness is under discussion from the XVIII century when the founder of classical economics Adam Smith published his "The Wealth of Nations".

In the international economic practice GDP per capita or the HDI use to compare the standard of living in different countries but these indices may not always reflect the real situation.

There are many special ratings of happiness. The most famous among them is "the quality of life index" (Well-Being Index) or "life satisfaction index", which was developed by D. Kahneman. Another one indicator is the international index of happiness (Happy Planet Index, proposed by New Economics Foundation in 2006) reflects the wellbeing of people and the environment worldwide. The main objective of the index is to show the "real" Wealth of Nations.

However none of the existing happiness index does not take into account the ethno-cultural characteristics of national values while people views of happiness impossible to formed outside the cultural context.

According to the research we concluded that the level of material well-being is an essential, but not the decisive factor in the happiness of the inhabitants of Russia. No less important criterions in such indicators are: the environment, security and sense of change for the better. Implementation of local projects in these areas can be a good starting point for improving the climate in the country, and consequently will increase the competitiveness of the national economy. The serious intellectual movements to study happiness shows the special significance of this problem and the growing interest in it on the part of society, economists and government in recent years.

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