

The Economics of Happiness Index: A View of India's Status and Trends

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Abstract:

As nations progress, this advancement translates into increased earnings and improved living standards. Economic theory suggests that higher income levels will lead to greater utility or satisfaction among the populace. However, it has been observed that a greater amount of money does not necessarily equate to enhanced satisfaction; in fact, individuals often prioritize a positive state of mind over higher incomes. While gross domestic product and national product serve as economic indicators of well-being, countries worldwide have begun to recognize that happiness and a harmonious society hold equal significance. This realization has resulted in the adoption of a new criterion: the happiness index, which measures how content individuals in a country feel about their lives. The United Nations supports an annual World Happiness Report that ranks member countries based on this index. This article reviews current literature to emphasize the importance of such an index and its relevance as a measure of economic progress.

Keywords: Economics of Happiness, harmonious society, India's Position, standards of living, economic development, income levels, happiness index.

1. Introduction

National income has been widely recognized as a standard measure for evaluating the success of nations, representing a significant advancement over assessing countries based on their military strength or nuclear capabilities. However, many individuals, including economists, sociologists, and psychologists, argue that metrics such as per-capita income and Gross Domestic Product (GDP) should not be the sole indicators of human progress. Today, there is a global consensus that promoting the happiness of citizens is an essential responsibility of the state. Increasingly, it is acknowledged that, similar to other welfare objectives, achieving a state of happiness and a harmonious society are vital aims for a responsible government. The concept of national happiness was popularized in the 1970s by Bhutan's former king, Jigme Singye Wangchuck, shortly after he ascended to the throne. He championed the notion of national happiness, advocating for its assessment through development indicators and survey data (Fox 2012). This initiative led to the establishment of Gross National Happiness (GNH) as a metric for measuring happiness. In 2012, the United Nations General Assembly proclaimed March 20 as World Happiness Day. Under the guidance of Jeffrey Sachs, the Earth Institute released the inaugural Happiness Report in 2012, which underscored the significant role the United Nations plays in recognizing happiness as a vital state of being. The report emphasized that mere material wealth is insufficient to fulfill the most profound human needs. Instead, the focus should be on utilizing these material resources to enhance human welfare,

alleviate suffering, promote social justice, and ultimately achieve happiness. Since then, the World Happiness Report has become an annual event, ranking over 150 countries based on the happiness levels reported by their citizens.

In other words, it ranks the countries by how happy the citizens perceive themselves to be. This year, the World Happiness Report was released by the Sustainable Development Solutions Network of the United Nations. It has Finland at the top of the list for the third consecutive year, followed by Denmark and Switzerland. Countries like Zimbabwe, South Sudan and Afghanistan have been classified as the world's least happy nations. India has been ranked 144 among the 156 countries in the World Happiness. This is a drop of four places from 2019. As pointed by the India Today a leading Indian magazine, this is much lower than its neighbours – Nepal ranked at 92, Pakistan at 66, Bangladesh at 107, and Sri Lanka at 130 in the report. This fall in ranking demands some deep soul-searching by the Indian policy-makers as well as the general population. Indians pride themselves on their festive outlook and prefer to project a loud and happy persona. The current ranking is in direct contrast to this picture. It shows that the people are not satisfied with their lives and probably have low expectations that things will improve in the foreseeable future.

In other words, it evaluates countries based on how happy their citizens feel. This year, the Sustainable Development Solutions Network of the United Nations published the World Happiness Report. Finland has secured the top position for the third year in a row, followed by Denmark and Switzerland. Conversely, nations such as Zimbabwe, South Sudan, and Afghanistan have been identified as the least happy in the world. India is ranked 144th out of 156 countries in the World Happiness Report, which marks a decline of four places since 2019. According to India Today, a prominent Indian magazine, this ranking is significantly lower than that of its neighbors: Nepal at 92, Pakistan at 66, Bangladesh at 107, and Sri Lanka at 130. This drop in ranking calls for serious introspection by Indian policymakers and the general populace. Indians take pride in their festive spirit and often present a cheerful and vibrant image. However, the current ranking starkly contrasts this perception, indicating that many people are dissatisfied with their lives and may have diminished hopes for future improvements.

The report acknowledges that the global pandemic represents an unparalleled health emergency. However, it identifies a constructive perspective by drawing on historical precedents, noting that during previous crises—including earthquakes, floods, storms, tsunamis, and economic hardship—communities have demonstrated remarkable resilience by uniting to reconstruct their societies, demonstrating cooperation and mutual support across multiple dimensions. According to the report, this collaborative response strengthens personal fulfillment and contributes to greater well-being despite adversity. Additionally, the report provides a comparative assessment of cities worldwide based on their subjective well-being metrics and analyzes the specific influence of social, urban, and environmental factors on overall happiness.

2. Objective

To understand the Economics of Happiness and India's current position within this framework, one must consider various factors that contribute to well-being. Happiness is often linked to economic performance, but it also encompasses social dynamics, cultural values, and individual aspirations. In India, economic growth has led to improvements in living standards for many, yet disparities remain. Factors such as income inequality, access to education, and healthcare play crucial roles in shaping the overall happiness of its citizens. Additionally, the societal emphasis on community and relationships influences the perception of happiness, making it a complex and multifaceted issue.

3. History and Development of Happiness as an Alternative Criteria

The use of happiness as a measure of social progress has a long history. One of its earliest and clearest statements came from the English philosopher Jeremy Bentham. In 1781, Bentham set out a philosophy known as utilitarianism, which judged an action by its results. An action was considered good if it created more happiness than pain for those affected by it. This approach shifted attention away from tradition, status or intention and towards the effects that decisions had on human welfare. Bentham proposed a form of “happiness calculus” to help assess those effects. The calculation involved weighing the likely pleasures and pains produced by an action. He identified 12 types of pain, including physical pain and the pain of awkwardness, as well as 14 types of pleasure, such as the pleasures of friendship, wealth and power. Bentham also suggested that the strength, duration, certainty and reach of each pleasure or pain should be considered. A short period of intense pain, for example, would have a different effect from mild discomfort that lasted for years. Although such experiences cannot be measured with the precision of a financial account, Bentham's work introduced a lasting question: how should societies judge whether their policies improve people's lives?

Economic policy later placed far greater weight on production and income. During the 1930s and 1940s, national accounting systems led to the wider use of Gross Domestic Product, or GDP, and Gross National Product, or GNP. GDP measures the value of goods and services produced within a country during a set period. GNP measures the income earned by a country's residents and businesses, including income from overseas. These measures helped governments track economic activity, compare countries and plan public spending. As a result, they became central signs of national progress.

GDP, however, records economic output rather than personal welfare. It counts the sale of medicines, for instance, but does not show whether people are healthy. It can rise after a natural disaster because reconstruction creates economic activity, even when families have lost homes and savings. It also says little about unpaid care, social trust, mental health, leisure or the quality of the natural environment. A country can become richer while many citizens feel insecure, isolated or unable to afford basic needs. This gap between income and happiness attracted wider attention through the work of the American economist Richard Easterlin. His research showed that happiness and GDP did not always move in the same direction. Within a country, people with higher incomes often reported greater happiness than people with lower incomes. Income can improve housing, food, health care, education and personal choice. Across countries, however, a rise in average income did not always produce an equal rise in average happiness. After basic needs were met, further economic growth appeared to have a smaller effect on reported well-being in some cases. This finding became known as the Easterlin paradox and encouraged economists to study happiness, life satisfaction and mental health alongside income. Later research added more detail to this picture. A report by researchers at the London School of Economics, including Clark et al. (2016), found that mental health had a stronger effect on reported life satisfaction than income. This does not mean that money has no value. Low income can create stress, limit choices and increase the risk of poor health. The finding suggests that treating mental health can produce a larger improvement in a person's life satisfaction than a similar rise in earnings. It also shows why economic data alone cannot capture the full condition of a society.

During the 1980s, the Nobel Prize-winning economist Amartya Sen developed another important challenge to GDP-based measures. He drew a distinction between “commodities” and “capabilities”. Commodities are goods and services that may appear in national income accounts. Capabilities refer to the real opportunities people have to live the kind of life they value. Two people may receive the same

income, yet have very different capabilities. A person with a disability may face higher costs and greater barriers than a person without one. A child may have access to schooling on paper but lack safe transport or support at home. Sen's approach therefore asks what people are able to do and to be, rather than only what they possess. Sen later worked with other economists through the Human Development Programme to apply these ideas to international comparisons. Their work led to the Human Development Index, or HDI, which was introduced by the United Nations Development Programme in 1990. The index initially combined three broad areas: income, life expectancy and education. It offered a wider view of development than GDP alone. A country could have a high income but weaker results in health or education, while another could achieve better human outcomes with fewer financial resources. The HDI is now used by the United Nations and other international bodies. Its related measures have expanded to address issues such as inequality, gender differences, poverty and environmental pressure. These additions recognise that national averages can hide large gaps between groups. A high average income may coexist with poor living conditions for rural communities, women, ethnic minorities or people living in deprived areas. Measuring distribution helps show who benefits from economic growth. Other countries and regions have also tested measures based on happiness and wider social progress. Since the 1970s, Bhutan has used Gross National Happiness, or GNH, alongside economic indicators. The Bhutanese approach considers areas such as psychological well-being, health, education, cultural life, community strength, good governance and the natural environment. It has attracted support because it treats development as a question of the quality of daily life, rather than only the amount of goods and services produced. In the United States, Maryland publishes a Genuine Progress Indicator. This measure adjusts economic activity by taking account of factors that GDP leaves out. It considers inequality, health, leisure time and environmental damage, among other concerns. Spending that creates pollution may increase GDP, but the costs of that pollution can reduce genuine progress. The indicator attempts to include both the benefits of economic activity and some of its social and environmental costs.

India has also explored this approach. In 2016, Madhya Pradesh became the first Indian state to establish a Department of Happiness, following growing interest in public well-being and life satisfaction (Mishra, 2017). Such initiatives do not remove the need for GDP. Income, employment and production remain important measures of economic strength. They show whether people have resources and whether the economy can support public services. Happiness-based measures add another layer by asking whether those resources lead to better health, stronger relationships, greater security and a more satisfying life. The history of these measures shows a gradual change in how progress is judged. GDP remains useful, but it cannot answer every question about human welfare. Bentham's early focus on pleasure and pain, Easterlin's research on income and happiness, Sen's emphasis on capabilities, and the development of HDI and GNH all point towards a broader view. A society may be assessed not only by what it produces, but also by how long people live, what they can do, how they feel and whether the benefits of progress reach the wider population.

4. Measurements of Happiness

The World Happiness Report 2012 describes two broad forms of happiness: affective happiness and evaluative happiness. Affective happiness concerns a person's daily emotions and experiences. It includes moments of pleasure, calm, affection and enjoyment, such as spending time with friends and family, taking part in leisure activities or feeling safe in one's neighbourhood. It also includes unpleasant feelings, such as anxiety, anger, loneliness and sadness. Daily pressures can lower affective happiness. Long journeys to

work, traffic, rising living costs, pressure at the workplace and worries about family responsibilities may all affect how a person feels during a particular day. Evaluative happiness takes a wider view. It asks people to judge their lives as a whole rather than report how they feel at one particular moment. A person may feel tired or worried on a given day but still believe that life is progressing well. Another person may enjoy short periods of pleasure but feel unhappy about their income, health, family life or position in society. Evaluative happiness captures this broader judgement. It measures whether people feel satisfied or frustrated with the direction of their lives and with the opportunities available to them. Several conditions shape this evaluation. Higher income can give people greater access to food, housing, education, health care, transport and other goods that meet their needs. Good physical and mental health allows people to work, maintain relationships and take part in social life. Stable families, safe communities, trust in public institutions and a sense of social security can also support life satisfaction. By contrast, poverty, ill-health, unemployment and social exclusion can lower it. A divided society, where large groups face discrimination or have little chance to improve their position, may create a strong sense of frustration. Material wealth alone cannot remove these pressures, but it often affects the choices and security available to people. Researchers measure happiness by asking people to assess their own lives. This approach is called self-reported well-being. It does not depend only on income, consumption or other economic figures. Instead, it gives individuals a direct role in describing their own experience. A common survey question asks, "Taken all together, how would you say things are these days? Would you say that you are very happy, pretty happy, or not too happy?" Another asks, "How satisfied are you with your life as a whole?" These questions are simple, but they allow researchers to compare personal views across groups, regions and countries. Many surveys also ask respondents to give a score on a scale from zero to ten. Zero indicates the worst possible life, while ten indicates the best possible life. One common method asks people to place themselves on a ladder with ten rungs. The bottom rung refers to the worst possible life for them, and the top rung refers to the best possible life. A score of five, for example, suggests that a person sees their life as being in the middle of the scale. The score does not provide a complete account of a person's life, but large surveys can reveal patterns in how people view their circumstances. The use of personal reports also raises questions. People may understand the survey questions in different ways, and their answers may be affected by their mood on the day of the interview. Cultural expectations can influence how willing people are to describe themselves as happy.

Even so, repeated surveys show useful patterns. When many people in a country report similar concerns about income, health, safety or employment, their answers provide important evidence about social conditions. Life satisfaction measures add a human dimension to economic data. A commonly held view is that wealth and happiness are closely related, as discussed by Stevenson in 2010. The link is strongest when income helps people escape poverty and meet basic needs. On a zero-to-ten life satisfaction scale, people in the poorest countries tend to place themselves at around three. Middle-income countries often record scores between five and six, while people in developed countries commonly place themselves between seven and eight. These broad differences suggest that income matters. A person who cannot afford nutritious food, safe housing or medical care is likely to face more daily stress than someone whose basic needs are secure. The link between income and happiness is not unlimited. Once basic needs are met, further increases in income may produce smaller gains in life satisfaction. Relationships, health, freedom, trust and a sense of purpose also affect how people judge their lives. Two people with similar incomes may report different levels of happiness if one has better health, stronger social ties or greater

confidence in the future. For this reason, happiness reports examine economic conditions alongside social and personal factors.

Bhutan's Gross National Happiness Index provides an important example of a wider approach to development. It was the first major national attempt to measure happiness and use those measurements in public policy. The index looks beyond economic output and gives attention to areas such as health, education, living standards, community life, culture, good governance and the natural environment. Its central idea is that progress should be judged by the quality of people's lives, rather than by national income alone. The example of Bhutan encouraged wider discussion about whether governments should track well-being as well as production and income. Several major surveys now collect information on happiness and life satisfaction across countries. These include the Gallup World Poll, the World Values Survey and the European Social Survey. They ask people about their lives, emotions, social relationships, trust, health and views of public institutions. The resulting data support comparisons between countries and cities. Such comparisons must be read with care because survey methods, social customs and expectations differ. Even so, they help show how people assess their lives under different economic and political conditions. The rankings in the World Happiness Report are based on a three-year average. This reduces the effect of short-term events, such as a sudden rise in prices, a political crisis or a poor harvest. A three-year average also makes the figures more stable and allows the report to compare countries using a larger body of evidence. The report finds considerable year-to-year consistency in the way people rate their lives in different countries. At the same time, a sustained fall in scores can reveal a serious change in public mood. India's position in the World Happiness Report fell to 144th, compared with 140th in the previous report referred to in the original data. This placed the country among the ten lowest-ranked countries in the index. The fall was linked to a continuing decline in India's life evaluation scores since 2015. A comparison of the periods 2008-2012 and 2017-2019 showed a fall of 1.216 points on the ladder scale. This was a serious change in the way people assessed their lives. It suggested growing concern about present conditions and about future opportunities. Economic conditions formed an important part of this picture. India's economic growth had slowed over the previous few years. According to the Economic Survey, GDP growth declined over six quarters, from the first quarter of 2018-19 to the second quarter of 2019-20. Real GDP growth had fallen from 7 per cent in 2017-18 to 4.5 per cent in the second quarter of 2019-20. These figures pointed to weaker economic activity, lower job creation and reduced confidence among households and businesses.

Slower growth can affect happiness in several ways. Businesses may postpone investment or reduce hiring. Workers may face fewer openings, lower wage growth or less secure employment. Families may delay spending on education, housing and health care because they are unsure about their future income. Small businesses can also suffer when demand falls. These pressures are not captured fully by GDP figures, but they can appear in the way people rate their lives. When people feel that income is falling and opportunities are shrinking, they may become less hopeful about the future. Employment conditions added to this concern. Data cited in the Economic Survey showed a rise in the share of people outside the labour force. Between 2004-05 and 2017-18, this share increased from 14.86 per cent to 25.13 per cent for males and from 55.83 per cent to 76.24 per cent for females. These figures refer to people who were not working and were outside the labour force, including those engaged in education, domestic duties or other activities. They should not be treated as a direct measure of unemployment. However, they show that a large number of people were not taking part in paid work, and that women faced especially limited participation in the labour market. A person without work may experience more than a loss of wages. Unemployment can

reduce independence, weaken social status and create worry about household expenses. Young people may feel that their education has not led to suitable opportunities. Women who remain outside paid employment may have less financial freedom and fewer choices, even when they perform important unpaid work at home. Families may depend on one earner, making them more exposed to illness, debt or a sudden loss of income. The COVID-19 pandemic added a further burden to these existing problems. Restrictions on movement, the closure of businesses, loss of jobs, interruptions to education and pressure on health services affected daily life across India. The pandemic also increased fear and uncertainty, especially among low-income families, informal workers and people without savings. These conditions were expected to lower life satisfaction even further. The effects of the pandemic cannot be separated from the earlier slowdown, since many households entered the crisis after already facing weak income growth and limited employment opportunities. When economic strain combines with social and political stress, the result can be a more negative view of life. People assess not only what they possess at present but also what they believe they can achieve in the future. A family may accept a low income if it expects better work, improved public services and greater security ahead. The same income can feel far more difficult when prices rise, jobs disappear and public support seems uncertain. This helps explain why life evaluation may fall even when a country continues to grow in some areas. A fall in citizens' life evaluation carries a meaning similar to a fall in other key economic measures. Lower GDP growth points to weaker production and income, while lower happiness scores point to growing dissatisfaction with living conditions and future prospects. These measures are different, but they often influence one another. Rising personal income can help people buy food, clothing, housing, transport, education and other goods that meet their needs. Greater financial security may also reduce stress and allow households to plan ahead. When income falls or becomes uncertain, people may cut spending, postpone important decisions and feel less hopeful. India's movement towards an economic slowdown was therefore reflected not only in GDP figures but also in the country's low happiness ratings. The decline in life satisfaction suggested that many people were experiencing pressure in their work, income, health and social lives. Happiness data cannot explain every cause of public dissatisfaction, and it should not replace economic statistics. It adds another measure of national progress by showing how people themselves judge their lives. The combined evidence points to a close connection between economic security, social conditions and the general mood of the population.

5. Contention Against Happiness Index

Many economists are skeptical of the entire business of measuring happiness objectively because of the problems associated with such measures. A significant concern is the reliance on self-reported data, where individuals are asked to evaluate their own state of happiness or unhappiness. This self-assessment can lead to unreliable measurements, as personal biases and varying interpretations of happiness can skew results. People may feel pressured to respond in socially acceptable ways, influencing their answers based on what they believe is expected of them. This pressure can vary significantly across different cultures and societies, creating further complexities in ensuring the validity of the results. Additionally, making valid cross-country comparisons proves to be a challenging task. Different cultures may have unique understandings and expressions of happiness, which complicates any effort to develop a standardized measure that can effectively capture this elusive emotion globally. What constitutes happiness in one country might be entirely different from another, meaning that a straightforward numerical score cannot truly represent the nuanced experiences of individuals across diverse backgrounds. Mishra (2017) has pointed out several difficulties involved in conducting surveys aimed at tracking happiness over time. One significant challenge is maintaining consistency in how questions are framed and asked across different surveys and demographic groups. Changes in survey design, question wording, or even the medium through which respondents answer can introduce variability that disrupts the integrity of longitudinal studies. Furthermore, life events can drastically alter a person's sense of happiness, making it difficult to establish a reliable baseline for comparison. The transient nature of happiness adds to the complexity. External factors such as economic conditions, political stability, and even personal relationships can significantly influence an individual's sense of well-being from one moment to the next. As such, what may appear to be a downward trend in happiness might simply reflect the fluctuating realities of life rather than an overall decline in societal happiness.

In light of these factors, some economists argue for the need to adopt a multifaceted approach when trying to gauge happiness. They suggest that incorporating a combination of qualitative and quantitative methods could yield a more accurate understanding of happiness. By blending personal narratives with survey data, researchers may gain deeper insights into the factors contributing to well-being, allowing for a richer analysis of happiness that goes beyond mere numbers. Overall, measuring happiness remains a complex endeavor, grappling with various influences that make it difficult to draw clear, objective conclusions.

6. Conclusion

The use of alternative indices to replace national income as measured through GDP and GNP has been suggested from time to time by various economists and social theorists. However, the fact remains that the measurement of GDP is an objective process that allows for regional and time-series comparisons, providing vital data for understanding economic performance over time. In contrast, the happiness index is a highly subjective concept that offers limited scope for comparisons across different individuals, regions, and times. This subjectivity can make it challenging to draw meaningful conclusions that can influence policy decisions effectively.

The concept of a welfare state and the social responsibilities of a state suggest that, in order to increase the well-being of citizens, governments and decision-making bodies should consider both variations in well-being as exhibited in happiness indices and economic measures like GDP and GNP. By integrating these various metrics, policymakers can develop a more rounded view of how their strategies are affecting

the populace. Regular large-scale collection of happiness data will enable comprehensive analyses of the impacts of policies on well-being, creating a richer understanding of social health in tandem with economic indicators. We can conclude that such regular large-scale gathering of happiness data has the potential to improve macroeconomic policymaking significantly, as well as enhance service delivery by government agencies. The data can serve as invaluable feedback, allowing policymakers to adjust their strategies and focus on areas most in need of attention. In order to accelerate the development process of the country and to establish itself as a robust global force, India needs to take a serious look at the satisfaction levels of its people. This includes recognizing and addressing the varied needs and aspirations of its diverse population. Furthermore, encouraging policies that foster a sense of security and well-being among the masses is crucial. A happy worker is indeed an efficient worker, leading to greater productivity and innovation. Unless the population is content with its situation and maintains a positive outlook for the future, the country cannot truly achieve its demographic potential. A workforce that feels secure and valued is more likely to contribute positively to both the economy and society at large. By addressing these factors, India can create a thriving environment in which both happiness and economic growth can flourish side by side.

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