ECONOMIC INDICATORS VERSUS WELL-BEING

Economics now reigns unchallenged in the policy arena, as well as in media coverage of quality-of-life indicators. News magazines and daily newspapers have a section devoted to money, and the Wall Street Journal covers economic issues on a daily basis. Economists hold prominent positions in the capitals of the world. When politicians run for office, they speak at length about what they will do, or have done, for the economy. Television presents frequent reports about unemployment, the Dow Jones average, and the national debt. Rarely do the news media report on how depressed, engaged, or satisfied people are. In part, policy and media coverage stems from the fact that economic indicators are rigorous, widely available, and updated frequently, whereas few national measures of well-being exist.

Money, however, is a means to an end, and that end is well-being. But money is an inexact surrogate for well-being, and the more prosperous a society becomes, the more inexact a surrogate income becomes. The measurement of well-being has advanced sufficiently that it is time to grant a privileged place to people’s well-being in policy debates, a place at least on a par with monetary concerns. After all, if economic and other policies are important because they will in the end increase well-being, why not assess well-being more directly? The main argument for using only a surrogate, such as money, is that well-being cannot be measured with the same exactitude as money. However, scientists now have good tools with which to index the well-being of societies with considerable precision. Therefore, it is possible to use measurable outcomes to create policies to enhance well-being.

1For additional scholarly work that broadly covers findings on well-being, the reader is referred to Argyle (2001); Diener (1984); Diener and Suh (1999); Diener, Suh, Lucas, and Smith (1999); Frey and Stutzer (2002a); Kahneman, Diener, and Schwarz (1999); and Seligman (2002).
Indicators), we review some of the shortcomings of national economic accounts in capturing even the production and consumption of goods and services in nations. However, we want to emphasize here the divergence of economic indicators from indices of well-being. For example, over the past 50 years, income has climbed steadily in the United States, with the gross domestic product (GDP) per capita tripling, and yet life satisfaction has been virtually flat. As can be seen in Figure 1, since World War II there has been a dramatic divergence between real income (after taxes and inflation) and life satisfaction in the United States, and a similar pattern can be seen in the data from other nations, such as Japan.

Even more disparity shows up when ill-being measures are considered. For instance, depression rates have increased 10-fold over the same 50-year period, and rates of anxiety are also rising (Twenge, 2000). Indeed, Twenge reported that the average American child in the 1930s reported greater anxiety than the average child receiving psychiatric treatment in the 1950s. There is a decreasing level of social connectedness in society, as evidenced by declining levels of trust in other people and in governmental institutions (Putnam, 2001a). Because trust is an important predictor of societal stability and quality of life (Helliwell, 2003a), the decreases are of considerable concern.

We predict that psychology will play a central role in measuring national well-being. Both scientists and practitioners will be required to determine how to rigorously assess well-being and how to intervene to change it. Moreover, other behavioral sciences, such as sociology, anthropology, and neuroscience, will play important roles. Furthermore, economists will also be involved. They have recently turned their attention to understanding and monitoring well-being. Economists now examine surveys of happiness and life satisfaction to uncover the effects of factors such as unemployment, income equality, commuting, and smoking. Recent conferences on well-being have been attended as much by economists as by psychologists. The European Union nations now monitor psychological well-being with the Eurobarometer, and the German Socioeconomic Panel Survey provides policymakers with information on income, employment, life satisfaction, and related variables in a large sample of respondents that are being assessed repeatedly over time. Organizations such as the Pew Foundation assess well-being in nations around the globe, and the World Value Survey has assessed happiness and life satisfaction in about 70 nations.

Thus, the beginnings of worldwide monitoring of well-being are evident, and economists and sociologists have been heavily involved in this effort. Psychologists are in an ideal position to develop and improve relevant measures and to design interventions that would be maximally effective in increasing well-being.

THE UNSYSTEMATIC NATURE OF CURRENT FINDINGS AND MEASURES

In the next section, we review many policy-relevant findings that illustrate the divergence between economic indicators and well-being indicators. First, though, we want to discuss some of the shortcomings of the research. It is our contention that a much more systematic approach to the measurement of well-being is needed in order to provide leaders with the best possible well-being indicators. Current findings are based almost entirely on the work of individual researchers, who address their own questions, usually using relatively small, accidental samples of respondents. Furthermore, different investigators measure different concepts (e.g., happiness, stress, distress, life satisfaction, or depression), and it is rare for a broad range of concepts to be assessed in a single study.

In order to examine the number of studies that include multiple well-being concepts, we scanned a large database of publications in psychology journals, PsychLit. Our search found 94,650 publications.

![Fig. 1. U.S. gross national product (GNP) and mean life satisfaction from 1947 to 1998.](image-url)