

# Happiness Economics: Motivational Environment, Objective and Subjective Factors

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**Abstract**— Economic growth factors in the new economic reality are associated with the formation of a qualitatively new motivational environment. From this perspective, it is rather promising to develop and implement economic policy that ensures welfare and other aspects of happiness as an economic phenomenon. The paper is aimed at substantiating and developing the major components of the concept of a new motivational environment on the basis of the economic phenomenon of happiness from the standpoint of subjective assessments by the younger generation, and identifying general objective factors and conditions that determine happiness. The authors prove the hypothesis that subjective evaluation of the state of happiness is founded on objective and universal factors forming the economic phenomenon of happiness in the new economic reality. The study covered young people as the most creative group of population with lower social inertia. The quantitative and qualitative methods of statistical analysis were applied: time series, the ranking method, rank correlation, correlation and regression analysis and econometric modeling. The study proves that material conditions and socio-psychological factors are the elements of a single system that, when interacting, produce a synergy effect generating a qualitatively new motivation for enhancing economic activity that ensures effective self-realization. The identified objective factors in social and economic equilibrium (happiness) are proposed as the basis for the formation policy of a new motivational environment that ensures the realization of economic interests of people, especially the youth.

**Keywords**— *Happiness Economics, Motivational Environment, Factors and Conditions of Happiness, Young People: Evaluation of Happiness.*

## 1. INTRODUCTION

The relevance of the current study is conditioned by the dominant trends in the new economic reality. First trend is searching for new or reformatting the existing, but operational, factors in economic growth under the conditions of the sixth technological mode which presupposes: nanotechnologies, cellular technologies and methods of genetic engineering, and alternative energy. Second trend is the necessity to provide an effective motivational environment for the younger generation in the context of abrupt structural shifts in economy.

The new economic reality is increasingly associated with the "welfare economics" or, in more broad terms, with "happiness economics". "That the time is ripe for our measurement system to shift emphasis from measuring

economic production to measuring people's well-being" [1. P. 12].

The concept of welfare and the concept of well-being associated with that are often applied jointly in the context of subjective evaluations of various dimensions of people's life. In the studies on welfare, the term "well-being" usually refers to an individual's sensation and perception of health and personal happiness, which distinguishes this term from other components of welfare: material wealth that includes property status and income, education and opportunity to participate in the life of civil society in the context of democracy and rule of law [2. P. 41].

According to Deaton, the term "welfare" denotes everything that is useful to humans and makes life decent. Consequently, personal (individual) welfare embraces at least six components:

- 1) property status and 2) income (together they comprise personal material welfare);
- 3) state of health and 4) happiness (i.e. physical and psychological well-being of an individual);
- 5) education;
- 6) political opportunities to take part in democratic processes of the state and society.

Welfare economics [3; 4; 5; 6] is the aggregate of economic relationships on production, distribution and redistribution of material and spiritual goods that determine the extent to which they are present in the life of a person and society and thus characterize the methods of appropriation existing in economy. It is assumed that as a result of production, distribution and redistribution of material and spiritual goods, a certain social and ethical optimum is attained, the achievement norms of which can be attributed to effective institutions.

Therefore, we can define happiness economics as the aggregate of economic relationships that provide people's life activity with such a quantity of material and spiritual benefits that forms in them a state of personal and social equilibrium and the state of happiness.

We can argue with a high degree of accuracy that research studies in the area of happiness economics can provide the necessary methodological basis for forming a quantitatively new motivational environment in the context of revolutionary technological advances in society. This explains the fact that many leading scholars, including three Nobel laureates in economics—Joseph Stiglitz, Daniel Kahneman and George

Akerlof—express their interest in this sphere of economic theory. They treat happiness as an economic category that mirrors a balanced combination of material wealth, social equilibrium, physical health and time [1; 7; 8; 9].

Hence, the purpose of the study is to substantiate and develop the main elements of the concept of a new motivational environment based on the economic phenomenon of happiness from the perspective of subjective evaluations of the younger generation and identify common objective factors and conditions that determine happiness.

As a working hypothesis, we put forward an assumption that the subjective assessment of a person's happiness is based on objective and same-for-all factors that form the economic phenomenon of happiness in the new economic reality.

To achieve the stated goal, the following tasks should be performed:

- 1) to assess the ratio between the objective and the subjective in the formation of the state of happiness;
- 2) to examine subjective assessments of happiness by young people and identify general objective factors and conditions for happiness of the younger generation;
- 3) to establish the avenues for using the obtained results to form the motivational environment of young people (aged 18–23) in terms of economic activity.

## 2. HAPPINESS AS AN ECONOMIC PHENOMENON: OBJECTIVE AND SUBJECTIVE

The studies on the phenomenon of happiness seek to comprehend the happiness-forming factors which can be economic and non-economic. Researchers consider various factors, such as income, health, social status, marital status, rights and political freedom [2; 10]. For instance, according to Jeffrey Sachs, professor of Columbia University who was a co-editor of the World Happiness Report, happiness is an important category that can be clearly assessed [6].

Happiness economics is also actively investigated by Russian scientists, such as O.N. Antipina, A.D. Nekipelov, R. S. Grinberg, S. Guriev, V. S. Bochko, K. Teteryatnikov [4; 11; 12; 13; 14; 15]. They claim that economic factors of happiness incorporate “the degree of the economic development of a country at large, the level of implementation of the factors covered by the Global Competitiveness Report (including the availability and quality of medical, educational, insurance and recreational services), the sources and size of income, and job” [16. P. 96]. Non-economic factors that influence the state of happiness are “age, gender, personal qualities, social status, involvement in social life, observing religious rituals, leisure, and living conditions” [16. P. 97].

The concept of happiness in terms of sensations is a subjective category, but on the basis of the aforementioned studies we can assume that happiness as an economic category is founded on objective factors, and their identification allows determining the directions for modelling economic motivation of an individual and forming the appropriate motivational environment.

In our view, the motivational environment of the economic system of society is a complex of economic and social

conditions for the life activity of economic entities that stimulate and ensure the effective realization of their economic interests.

The research subject of our study is the younger generation. We believe that the central factors of economic growth in the context of new technological changes are provided by not only the human factor per se, but by young people with a clear economic motivation. Based on the studies by the RAS academician M.A. Gorshkov [17], we can conclude that young people are the most creative group of population with lower social inertia who are able “to individualize production and consumption, dramatically reduce energy and material intensity of production, design materials and organisms with predefined properties and implement other ideas of the sixth technological mode” [18; 19].

In the course of the study, we aim to identify some generalized essence-related factors and characteristics inherent in groups of people with similar traits and inclinations. Subjective approaches distinguish between aspects of quality of life and objective factors that shape them: cognitive assessments and positive and negative effects. For example, we have found that, despite having lower income, young people are happier than able-bodied population of middle age. This is attributed to hopes for future success and specific features of perception. Respondents have underlined that opportunities for self-realization, confidence in future, family, children and good health were the major sources of happiness for them. This confirms the hypothesis that young people determine a new quality of economic growth under the conditions of radical technological changes.

## 3. FACTORS AND CONDITIONS FOR YOUNG PEOPLE'S HAPPINESS FOR MODELING THE MOTIVATIONAL ENVIRONMENT

We conducted a socio-economic research to identify some generalized essence-related factors and characteristics inherent in groups of people with identical features and inclinations.

The study is based on an analysis of interconnection and interdependence between quantitative and qualitative happiness indicators. We applied different combinations of methods of structural analysis, interviewing, ranking and correlation and regression analysis.

Socio-economic factors, material objects and subjective sensations are regarded as criteria for forming the phenomenon of happiness. The research subject is young people (aged 18–23) representing the main social groups. The array of respondents accounted for 700 young people [20].

The primary goal of the study was to examine happiness as understood and evaluated by the youth. For this purpose, the maximum possible number of factors, objects and actions that bring happiness was specified. The task was to establish the fundamental factors underlying moral and physical equilibrium of young people. In our opinion, the state of happiness ensures that a young person will be maximally motivated in all spheres of life and primarily in economic

activity. Based on the surveys of young people, we identified and ranked 27 factors and material objects forming the

phenomenon of happiness. Figures 1 and 2 present the most significant findings.

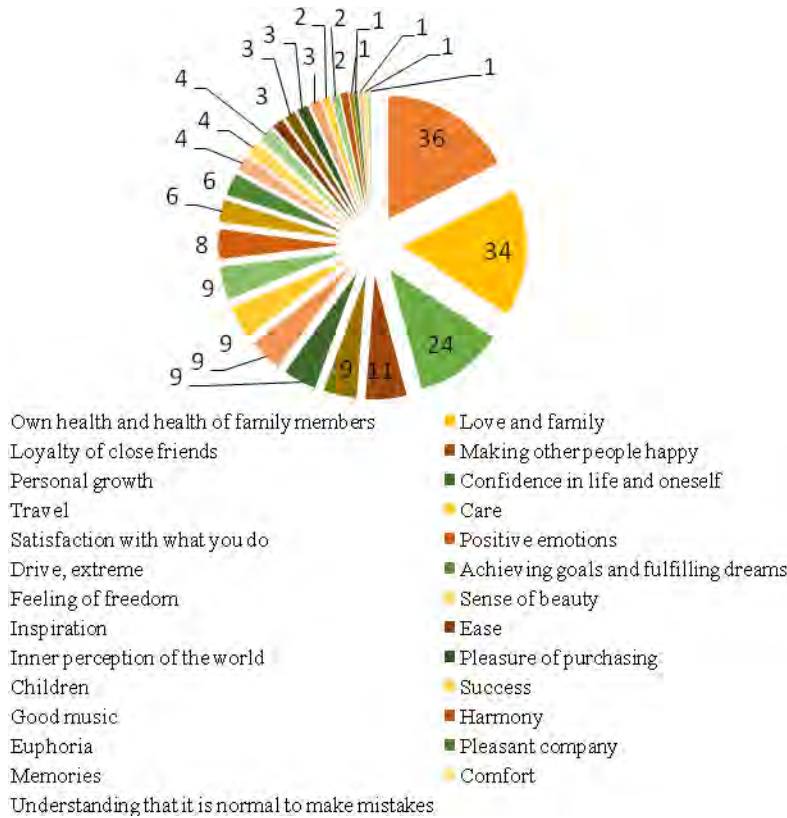


Fig. 1. The state of happiness, % of total

The ranking of 10 factors of happiness demonstrated that “Own health and health of family members”, “Love and family”, “Loyalty of close friends” achieved above 10% of the total vote each, whereas “Making other people happy”, “Personal growth”, “Confidence in life and oneself”, “Travel”, “Care”, “Satisfaction with what you do” and “Positive emotions” range from 5.4 to 4%.

These are primarily family and material wealth associated with this (no need for food and shelter), own health and health of the loved ones that give the respondents the emotional state of happiness. Hobby and job which brings both financial and emotional satisfaction come second. House/apartment, “preferably cozy and comfortable”, and having a partner for life come third. Fourth priority is sincere and loyal friends and money (a need for communication and mutual benefit). Fifth priority is an opportunity to travel, buy a car and gratify the desire to be mobile. Self-realization comes sixth. The last priority is passing exams, pets, children and business, which is explained by the age group of the respondents.

Family and health, and consequently peace in their family, give spiritual embodiment of happiness to respondents. Comfort and inner harmony come second. They are followed by friends and love (third place); sincere relationships and feelings, social respect, fulfilment of plans and dreams, achievement of the stated goals, doing what you like (fourth

place); joy, “satisfaction in life, the desire to live, sport, God, expectation of something good, and world peace” (fifth place).

The study revealed that the overwhelming majority of the respondents (90%) are indisputably happy, while the rest of them (10%) consider themselves rather happy, since they have important components of happiness, such as “a loving family, friends, I am acquiring education, I have a place to live and what to eat”.

Next, we examined the interconnection and interdependence between material objects, sensations and problems that young people are concerned with. To prove the proposed hypothesis and evaluate the strength (tightness) of the correlation between two attributes or two profiles (hierarchies) of attributes, we employed the Spearman method [21].

The calculated Spearman’s rank correlation coefficient exceeds the critical values and confirms that there is a close positive relationship between the presence of objects, factors and problems that determine the state of happiness of a young person [20]. The econometric model for correlation is the following:

$$\hat{y}(x) = a + 0,959b,$$

where  $\hat{y}(x)$  is projected values of a result attribute (the state of happiness); a is an average value of an observance attribute; b is regression coefficient.

The model confirms that the selected material objects, factors and economic activities provide 95.9% ( $r_s = 0,959$ ) of happiness and the sense of balance for young people. At that, despite the fact that the set of factors, objects and actions is perceived by each respondent individually and is different in

importance for each of them, for the entire group under consideration the factors are the same. This allows us to talk about the objectivity of the major factors and causes that explain the phenomenon of young people's happiness, and they should be utilized to shape the motivational environment of the youth to encourage their economic activity.

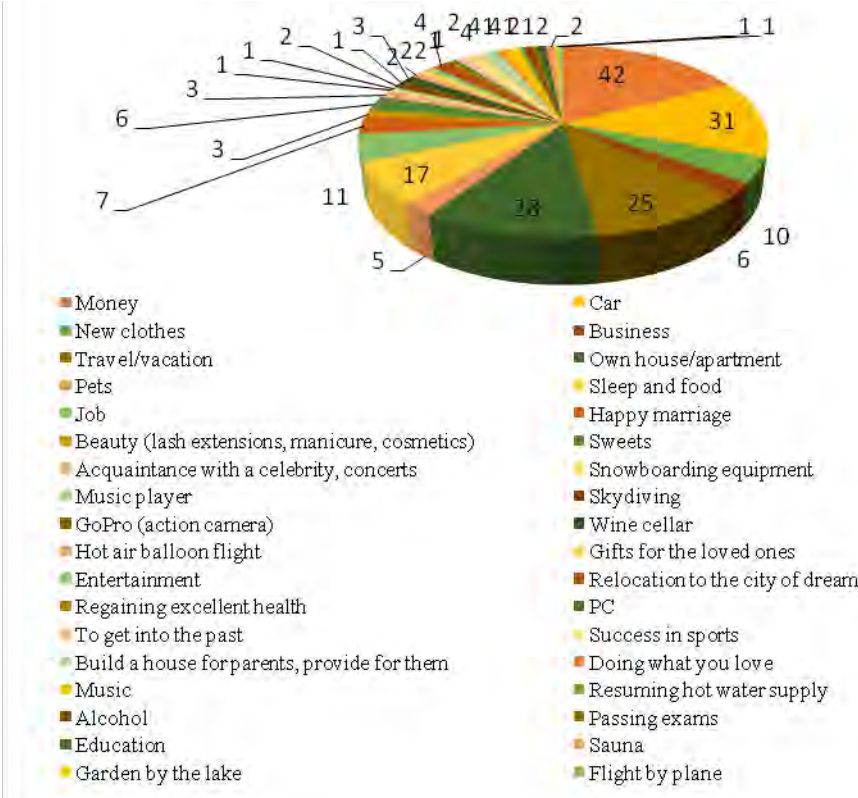


Fig. 2. Objects and actions that bring happiness, % of total.

#### 4. CONCLUSIONS AND AVENUES FOR FURTHER RESEARCH

The given study allowed the authors to establish the following salient facts.

For every person, the subjective feeling of happiness carries its own, unique meaning associated with events happening in their life. It can manifests itself in material values, physical comfort, mutual affection, etc. Happiness is a feeling of full satisfaction with life, harmony with others and the world; realization that someone needs you, that you are loved and you love back and are capable of doing everything.

For every person, happiness is a combination of feelings and material values. At that, the composition and the set of these feelings and values is approximately the same for everybody, and it ensures emotional, social and economic balance of humans.

Based on the results of the research conducted, we arrived at the following principal conclusions:

happiness, as an equilibrium state of a person, is determined by a variety of factors which encompass those

dependent on the subjective evaluations of an individual, but the main components of such an equilibrium are the same for all;

it is incorrect to separate material conditions from socio-psychological factors ensuring a comfortable balance for a person and the maximum possible motivation in all spheres of life;

material conditions and socio-psychological factors are the elements of a single system that, when interacting, create a synergy effect associated primarily with effective economic self-realization, especially among young people;

material conditions for the youth create not only a comfortable standard of living, but also a sense of prestige, significance and confidence in economic activity;

the younger generation, its economic motivation and activity will determine the pace of economic growth in the conditions of the transition to the sixth technological mode;

the obtained results indicate that in further studies it is necessary to model the socio-economic conditions and motivational environment that will shape the factors and conditions of happiness among young people, who, ideally,

should act as the basis of the state's economic policy under the conditions of the new technological mode.

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