LOOKING BEYOND GDP

The World Happiness Report leads the quest for more holistic measures of well-being

MORE THAN 50 YEARS AGO US senator Robert F. Kennedy famously critiqued GDP, saying that it “measures everything...except that which makes life worthwhile.” Since then, there have been significant efforts to look beyond GDP in search of more comprehensive ways of measuring well-being to help improve people’s lives.

The World Happiness Report is a key resource in this search, offering a comprehensive look at self-reported life satisfaction scores across countries (see chart for ranking criteria). In the decade since its inception, it has evolved from a novel concept to an influential factor in advancing the inclusion of well-being metrics in policymaking.

When we juxtapose GDP per capita with happiness scores from the report, it becomes clear that while GDP per capita is a significant predictor of happiness, it’s not the only factor. As the report outlines, other variables, such as social support, life expectancy, freedom, generosity, and the absence of corruption, also help explain varying levels of happiness between countries.

The report urges a reevaluation of success, advocating policies that not only foster economic growth but enhance the quality of life. The authors contend that by integrating happiness as a key objective, governments can adopt a more holistic approach to policymaking, ensuring that progress is measured not solely by material wealth but by the well-being of their citizens.

Some countries are already moving in this direction. For example, in 2019 New Zealand introduced the Wellbeing Budget, targeting critical societal areas such as mental health and child welfare. F&D

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Does money buy happiness?

While higher GDP per capita goes together with higher life satisfaction, there are other factors that help explain the striking differences between some examples highlighted below.

The Cantril ladder: Respondents are asked to think of a ladder, with the best possible life for them being a 10 and the worst possible life being a 0. They are then asked to rate their own current lives on that 0 to 10 scale. The rankings are from nationally representative samples for the years 2020–22.

FINLAND (7.80) is the number one ranked country in the world in terms of happiness, despite ranking outside the top 20 in terms of GDP per capita.

COSTA RICA (6.61) has below average GDP per capita levels but ranks well above average in terms of happiness.

SINGAPORE (6.59) is second only to Luxembourg in terms of GDP per capita, yet it ranks outside the top 20 when it comes to happiness.

KOSOVO (6.37), NICARAGUA (6.26), GUATEMALA (6.15), EL SALVADOR (6.12), HONDURAS (6.02), UZBEKISTAN (6.01) These countries rank comparatively high in terms of happiness despite GDP per capita levels that are well below the average.

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The gray lines are all the other countries covered in the report. For the most part the higher a country’s GDP per capita, the higher it is likely to be on the Cantril ladder.

AFGHANISTAN (1.86), LEBANON (2.39) The lowest-ranked countries in the report, which fall significantly below all other countries that were scored.

SOURCES: IMF; World Economic Outlook database, October 2023; and 2023 World Happiness Report.

NOTE: PPP = purchasing power parity.
Happiness spectrum

Rankings are based on individuals’ ratings of their own lives using the Cantril ladder life-evaluation question. While advanced economies generally score higher, the data also highlight exceptions. Several emerging market and middle-income economies and even some low-income developing countries outrank their advanced economy counterparts, underscoring how factors beyond income play critical roles in determining self-reported life satisfaction.