

## The Philippine Star

### **Business**

Basta happy tayo!

DEMAND AND SUPPLY By Boo Chanco

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You wouldn't have guessed it if you only read the headlines in the front pages of newspapers and watch CNN or BBC. I mean, can anyone be happy with the state of the world today? The Cold War has apparently reignited in Eastern Europe with Russian tanks and warplanes punishing a former Soviet state for straying too close to the West. And down South, there is an undeclared war of secession in Mindanao with all the brutalities that such wars bring.

But according to a news report on Sciencedaily.com, there is an overall rise in reported happiness due to greater economic growth, democratization and social tolerance. That ties in with a report in last Monday's Financial Times that says today's world is a happier one and the key to happiness is freedom not income.

That probably explains why despite a continuing rise in poverty and incidence of hunger in this country, things have not boiled over even in the face of a government that is largely incompetent and out-of-touch. We are happy enough to be free... to be able to bitch instead of eat... to buy more cellphone loads than food on the table.

Anyway, according to what the FT describes as "newly released data, recently published in an article" from Jacobs University Bremen and the University of Michigan, the world is getting happier. From 1981 to the present, they asked more than 350,000 people from 90 countries about their happiness and their satisfaction with life as a whole.

Among the 52 countries for which at least a decade of data is available, reported well-being rose in 40 cases, and fell in only 12. The average percentage of people who said they were "very happy" increased by almost seven points.

How can that be? Apparently, once you have sorted out problems on where to get your next meal, the secret of happiness is freedom. "In each survey respondents were also asked to rate their sense of free choice in life. In all but three countries where perceived freedom rose, subjective well-being rose also." Increases in free choice and subjective well-being are strikingly related, the FT reports.

Ironically, the FT reports "no region has experienced this transformation as rapidly as Eastern Europe," just as the Russians are driving their tanks deep into Georgia. "In the space of two decades, several countries that were members of the Soviet bloc have become members of the European Union, with new freedoms to travel, work and live as never before imaginable. Not only has the proportion claiming to be "very happy" risen in every country except Serbia and Belarus, but this trend has been wholly driven by the younger generation."

No wonder the Russians are eager to step in and stop the party before things got out of hand and they lose all influence on their former vassal states. Country after country in the study – Albania, Bulgaria, Bosnia, Croatia, the Czech Republic, Lithuania, Moldova, Romania, Russia, Slovakia, Slovenia and Ukraine – exhibits this trend showing increased happiness. Belarus stands out as an exception.

According to the FT, the happy countries include social democracies such as Sweden and Denmark, and more *laissez faire* economies such as Australia and the US. “What they have in common are not their policies but institutions: democracy, rule of law and social tolerance.”

The FT also observes that “the link from free choice to rising happiness suggests that the appropriate benchmark of development is not income per capita, but individual freedoms and capabilities. This is the human development perspective associated with Amartya Sen, the Nobel laureate. While income and well-being are closely correlated at early stages of development, once the threat of starvation recedes, social and political freedom appears to be as important.”

But the FT warns, just because the past 25 years have brought a happier world, there is no certainty that the next 25 will continue to do so. “Today, there are as many countries that appear to be sliding into soft authoritarianism and state failure as there are countries that are becoming consolidated democratic cultures, while the future of the global economic order is itself in jeopardy. It would be a huge irony if the benefits of liberal institutions for human happiness were to become evident precisely at the moment when those gains are most at risk.”

Sustaining economic freedom is what this other survey is all about. I am talking of the World Economic Freedom (WEF) index, a scientific study that measures the degree to which the policies and institutions of countries are supportive of economic freedom. The latest results of the survey will be formally launched here by the Friedrich Naumann Foundation for Liberty Sept. 18.

The cornerstones of economic freedom are personal choice, voluntary exchange, freedom to compete, and security of privately owned property. Forty-two variables are used to construct a summary index and to measure the degree of economic freedom in five broad areas: (1) size of government; (2) legal structure and security of property rights; (3) access to sound money; (4) freedom to trade internationally; and (5) regulation of credit, labor and business. The latest report that’s just being released now concludes that “economic freedom has grown considerably in recent decades.”

According to the EFW report, nations that are economically free perform better than non-free nations in indicators of well-being. Nations in the top quartile of economic freedom have an average score of 1.87 for political rights on a scale of 1 to 7, where 1 marks the highest level, while those in the bottom quartile have an average score of 4.39.

Nations in the top quartile of economic freedom have an average score of 1.68 for civil liberties on a scale of 1 to 7, where 1 marks the highest level, while those in the bottom quartile have an average score of 4.06. Nations in the top quartile of economic freedom have an average score of 84.7 (out of 100 where a higher value indicates a

greater environmental performance) for environmental performance, while those in the bottom quartile have an average score of 63.8. Life expectancy is 79 years in the top quartile compared to 58 years in the bottom quartile.

Furthermore, they found a strong positive relationship between economic freedom and poverty reduction. The average \$1-per-day poverty rate is 32.1 percent for nations (un-weighted by population) with levels of economic freedom (EFW scores) below five, compared to 11.7 percent for nations with EFW scores between six and seven. Globally, developing nations need to focus on improving levels of economic freedom to reduce poverty.

The poverty rates in countries such as Chile, Peru, Thailand, Malaysia, South Korea, China, and India have fallen sharply in recent decades, the report indicates, because these countries have achieved rapid economic growth. “Growth is the driving force underlying reductions in poverty. Gains from trade, entrepreneurship, and investment are the core of the growth process.”

“However, gains from these sources do not just happen. They are the result of institutions and policies supportive of economic freedom. Uncertain protection of property rights, biased law enforcement, trade restrictions, and regulations that restrict entry into markets and impose heavy costs on business will undermine these gains.”

Now we know what our problems are.

The Economic Freedom Rating of the Philippines is 6.72, with a rank of 72 among 141 countries. We will tackle details of our ranking in future columns. Suffice it to say that there is a lot of work to be done even if Pinoys keep on telling nose counters in surveys after surveys that they are pretty happy as it is.

### **Beer na beer**

This was forwarded by Marilyn Mana-ay Robles.

Sabi nung friend ko, nakakalaki daw ng tiyan ang beer. Kasi noon minsan nalasing siya, nabuntis siya!

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