

Workshop
Happiness, Innovation and Creativity
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Happinomics, regional development and innovation policies

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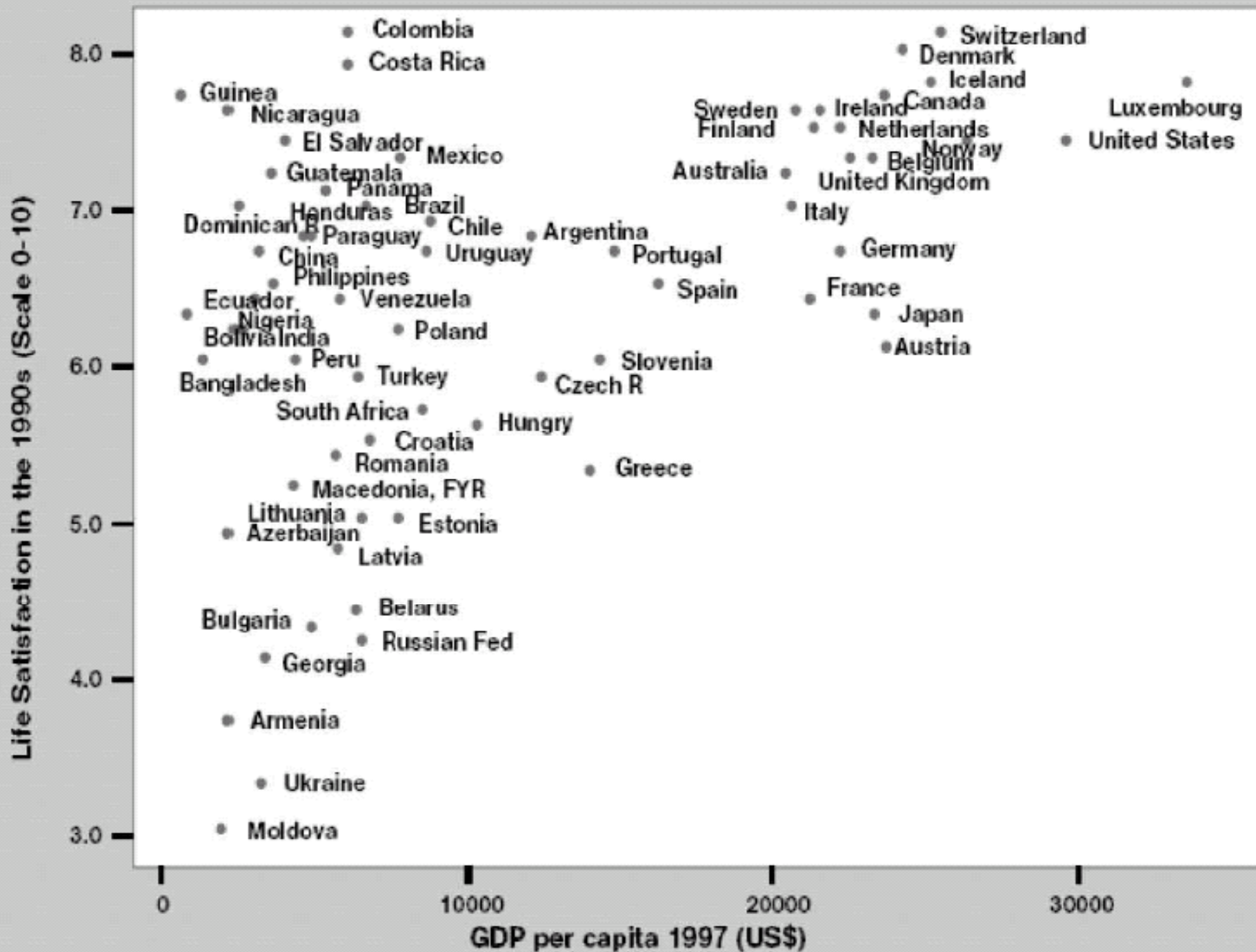
What is Happinomics?

Economics of *happiness*?

- We consider here the interdisciplinary definition of *happiness* as « **subjective well-being** »
It is definitely different from « utility » (Bentham, Stuart-Mill and neoclassical followers), as well as from « welfare » (Pareto, Walras, etc.)
- *Economics of utility is linked to a theory of scarcity (and individual desire), not human well-being.*
Homo economicus, for theorists and practitioners of economics/management (marketing), is never fully happy
- *Welfare economics deals with the evaluation of social situations and public decision issues.*

References in happinomics

- Amartya SEN (1993) tries to transcend the problem of measuring the subjective notion of happiness and the non-comparability of individual utilities by focusing on *fundamental goods* like health, education level, duration and quality of life, etc.
- An important stream of literature focuses on *empirical declarative enquiries*
- One of the now classical topic is the relationship between such subjective measurements and the typical economic indicator GDP
 - Typically, See Richard Easterlin paradox and following debates

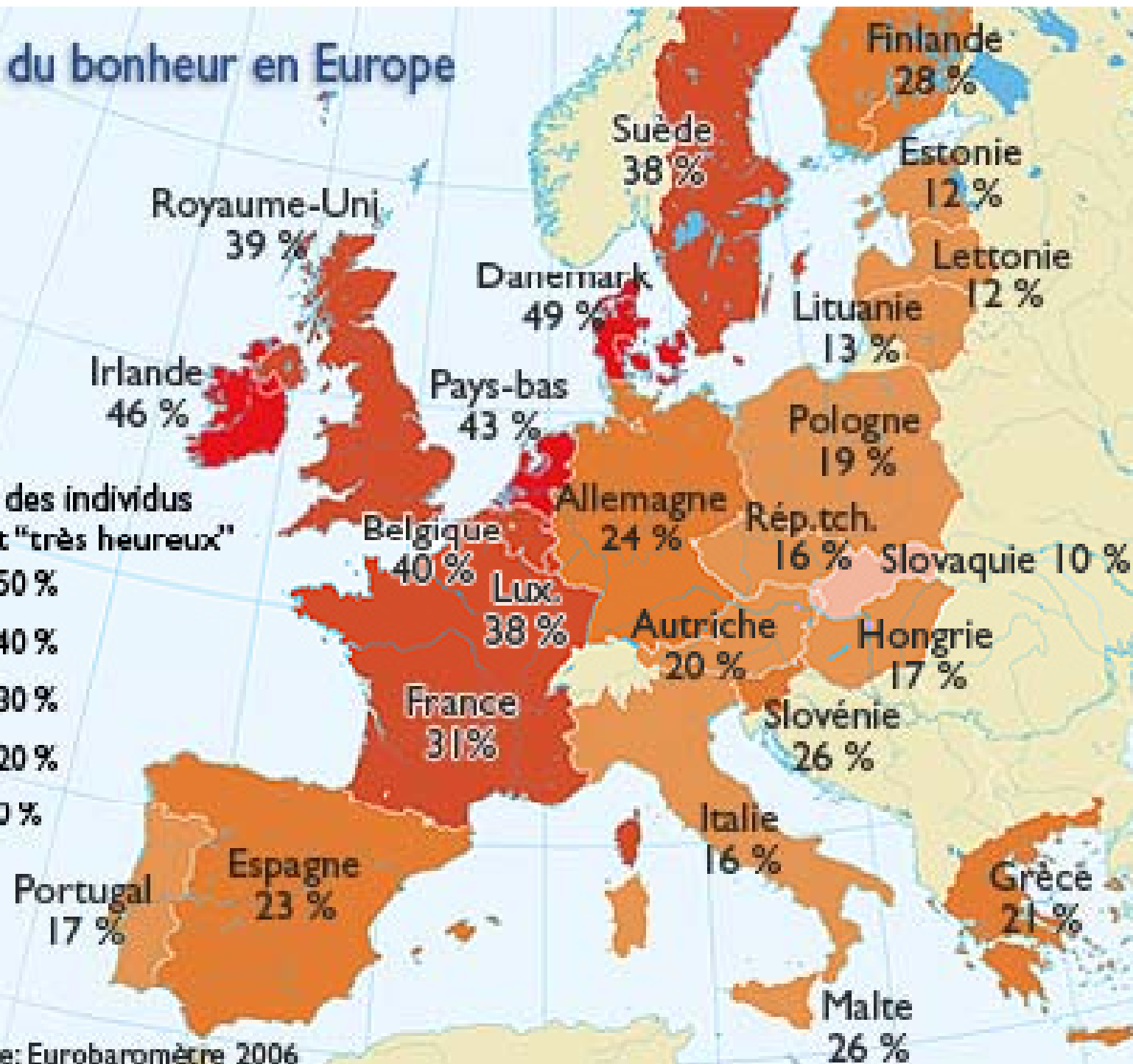


Apparently, territory does matter

- Declared happiness is not systematically correlated with simple economic variables
- It is largely variable among countries and even regions
- We therefore need to observe happiness and try to define and measure it in the context of territories (*not predefined spatial units, but perceived territories – which raises multi-disciplinary theoretical issues*)

La carte du bonheur en Europe

Proportion des individus se déclarant "très heureux"



Source: Eurobaromètre 2006

Specific aspects to be taken into consideration

- Various studies (World database of happiness, Eurobarometer, European Parliament, Institut Veblen, Centre d'Analyse Stratégique,...) show the importance of several non-economic factors in the environment of the individuals (and not only the public amenities)
 - Social relationships
 - Cultural attitudes
 - Environmental amenities
 - etc.
- The studies underline the « local » dimension of such factors
 - In particular, confidence in local/regional policymakers appears more important than in national/global regulation systems

The role of territories

- Considered as a relevant space for economic coordination, knowledge creation and competence building, solidarity and identification, etc.
- Two typical economic functions:
 - Meeting « residential » needs
 - Providing interface with external world

Residential functions and external functions

- *Residential economy* is typically about variables related to « happinomics » :
 - Lodging, local transportation, security, shopping, education, leisure and culture, etc.
- *External interface functions* are more focused on « classical » economic advantages:
 - Importing resources that are not available locally; attracting firms; organizing long distance transportation, supplying marketing services and exportation platforms, facilitating absorptive capacities of local actors (useful for innovation); etc.

A question of tradeoff between both aspects

- There is a balance to be found between improving residential amenities and developing (external) economic competitiveness
- Both aspects are complementary up to a certain point:
 - Happiness helps productivity (economic growth) and creativity (innovation)
 - Wealth earned in external spaces contributes to local welfare and therefore happiness
- They are also contradictory: economic growth leads to pollution, innovation brings stress (creative destruction)...

Examples of strategic choices

- *Restructuring of railways transportation system around TGV : the perception within French regions*
 - Improving external value of territory by efficient long distance transportation (equivalent to plane)
 - Less local transportation – and between neighbouring regions -; more costly, less flexible (compulsory booking) and therefore less socially relevant transportation system
- *A case where even strict economic (external/global) value is ruined*
 - Local pollution in Beijing now stops planes from landing and taking-off safely!

Questions of measurement and policy

- What is needed in terms of indicators of well-being? We know that GDP is not enough; what else?
- The statistical and notional meaning of GDP is less and less clear when globalisation increases and when we consider smaller geographical units
- GDP is a sum of Added Values. Basically, AV means: *Marketed goods and services minus expenses for the sake of their production*
- Problems:
 - *A part of the expenses are a contribution to future development: typically R&D and other activities impacting creativity, including « social » expenditures*
 - *Where AV is spent is not exactly where it is produced. Therefore, look carefully at the components: revenues of labour, of capital and taxation.*

Conclusion

- More research on economic/non economic indicators
- More precise analysis of classical economic indicators
- The contribution of « innovation policies » to territorial well-being is still very debatable from different points of view, at least:
 - local impact?
 - nature of the impact?
 - Should we strongly distinguish innovation and creativity in the context of happinomics?