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From the Uruguayan case to the Happiness economy

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INTRODUCTION

"To all of the authorities present here, from every latitude and organization, thank you very much. I want to thank the people of Brazil and Mrs. President, Dilma Rousseff. Thank you all for the good faith undoubtedly expressed by all of the speakers that preceded me.

We hereby express our innermost will as rulers, to adhere all the agreements our wretched humanity, may chance to subscribe. Notwithstanding, let us take this opportunity to ask some questions aloud. All afternoon long, we have been talking about sustainable development, about rescuing the masses from the claws of poverty. What is it that flutters within our minds? Is it the model of development and consumption, the one reigning on affluent societies? I ask to myself this question: what would happen to this planet if the people of India had the same number of cars per family as the Germans? How much oxygen would there be left for us to breathe? More clearly: Does the world today have the material elements to enable 7 or 8 billion people to enjoy the same level of consumption and squandering as the most affluent Western societies? Will that ever be possible? Or will we have to start a different type of discussion one day? Because we have created this civilization, in which we live: the progeny of the market, of the competition, which has begotten prodigious and explosive material progress. But the market economy has created market societies. And it has given us this globalization, which means being aware of the whole planet. Are we ruling globalization or is globalization ruling over us?"

"We come into this planet to be happy. Because life is short and it slips away from us, and no material belonging is worth as much as life, and this is fundamental. Life is going to slip through our fingers, working and over-working in order to be able to consume more, and the consumer society is the engine, because, ultimately, if consumption is paralyzed, the economy stops, and if you stop economy, the ghost of stagnation appears for each one of us, but it is this hyper-consumption that is harming the planet."

"I know some of the things I'm saying are not easy to digest, but we must realize the water crisis and the aggression to the environment is not the cause. The cause is the model of civilization that we have created. And the thing we have to re-examine is the way we live."

“And one asks this question: is this the fate of human life? The things I say are very basic: development cannot go against happiness. It has to work in favor of human happiness, of love on Earth, human relationships, caring for children, having friends, having our basic needs covered. Precisely, because this is the most precious treasure we have: happiness. When we fight for the environment, we must remember that the essential element of the environment is called human happiness.” (United Nations, 2012)

Here are some extracts from the speech the ex-president of Uruguay, José Alberto Mujica Cordano, held in June, the 20th of 2006 at Rio +20 summit organized by the United Nations, to discuss about the sustainable development and the environment. The resonance of his words caught worldwide attention because of their uniqueness, given the role of his figure.

His focus on human happiness and its relation with economic development is one of the drivers that has inspired the following work.

The happiness economy theme and the overall attention politicians have to pay to that issue when carrying out economic and social policies is covered in Chapter 1, where it is analyzed the importance of institutions, intangibles and cultural backgrounds contributing to reach individual life satisfaction’s level. The relative but still meaningful role income per capita has on individual happiness is thoroughly covered with data supporting how a GDP per capita growth over a certain time horizon, only partially bolsters what people believe their quality of life to be. Several methods are used, given the objective difficulty to rank something so subjective and psychologically easy to influence.

The real purpose of this work relies on emphasizing how monetary and material conditions play less of a direct role on individuals’ happiness than what is commonly thought.

In Chapter 2, the discussion shifts towards Uruguay, one of the country that experienced a great economic development in the past decade. External favorable conditions, internal institutional reliability and citizens’ trust, have surely backed up such a progress. Under the multiple “Frente Amplio” governments, socially-oriented and human-centric reforms’ agenda have reduced population’s inequalities and improved living conditions.

Furthermore, one of the reasons why Uruguay caught global attention has to be credited to the figure of Mujica.

In Chapter 3, a deep assessment at what kind of subjective well-being has characterized Uruguay over the last decade takes place, using the disposable data and the OECD's "How's life?" framework to snap a picture of the overall scenario, after the overcoming of the previous recession period thanks to targeted social policies and external favorable factors. Given the virtuous example of how Uruguay has improved not only economically, but also in terms of its citizens' perception of the quality of their life, a broader consideration on happiness economy is carried out. The dissertation stresses the relevance social context and trustworthy institutions have on individuals' life, and analyzes the hidden importance working has in human beings' well-being compared to the non-pecuniary costs coming from unemployment.

Finally, a portrait of the current worldwide situation, according to recently released World Happiness reports, is presented, emphasizing common trends and leading to insights to let the reader better get into the relationship between macroeconomics and individuals' life satisfaction.

CHAPTER 1: HAPPINESS AS A LIFE GOAL POLITICAL ECONOMICS MUST CONSIDER IN ITS DECISION-MAKING

1.1 Happiness as a life goal

Once a child is born, everyone wishes him or her a good life. What does a life need to be called like a good one? Points of view may differ a lot when answering such a question, but usually there is a common element, that is considered the ultimate goal of life: “Happiness”.

Economics has to take this common human beings’ desire into account, each decision should be driven by allowing people to reach their individual happiness.

So, how do economic growth, unemployment, inflation and institutional factors such as governance affect individual well-being?

When it comes to micro-level, a Pareto-improving proposal is often hard to reach, as social actions to improve some people conditions (on whatever basis) usually come at expense of others’ costs (Piga, 2008, p. 273-296). Measuring individual utilities before and after an intervention is necessary to detect and analyze the net effects.

On an aggregate level, when it comes to the overall effects a political economy may produce, economic institutions and global governance always have to deal with tradeoffs, especially between unemployment and inflation (Frey & Stutzer, What can economists learn from happiness research, 2002). Data gathered for twelve European countries for the period 1975-91 show that, a 1-percentage-point increase in the unemployment rate is marginally compensated for by a 1.7-percentage-point decrease in inflation (Di Tella, MacCulloch, & Oswald, Preferences over Inflation and Unemployment: Evidence from Surveys of Happiness, 2001). Such a result does not get along with the common given definition of the misery index, which simply add those two rates.

Studies about those kinds of trade-offs have been made in the last 50 years and the outcomes for the same European countries referred above highlight how money cannot overcome and compensate the loss of a job. Too often, psychological variables are not considered that much when implementing a political economy initiative. If someone is fired and is unable to find another occupation in a reasonable timescale, the non-pecuniary costs (like the possible self-esteem loss) cannot be offset even by a monetary compensation that would move people from the lowest income quartile to the highest one (Frey & Stutzer, What can economists learn from happiness research, 2002). Those surveys help us disclosure a key finding this thesis is going to talk about: holding a job, feeling satisfied, keeping a high level of motivation are elements that are hard to offset no matter what monetary compensation an individual can receive.

Therefore, happiness research has not to be overlooked; it should be one of the main driver to follow when making an economic policy decision at whatever level, because everyone is longing for it and the way people perceive it depends on how the latter affects their satisfaction.

As a matter of fact, in July 2011 the UN General Assembly made an historical movement in that direction, inviting all the member countries to begin measuring happiness of their inhabitants in order to draw a guidance framework to look at when implementing public policies. It was the first step towards something that would have not been underrated anymore, as a UN- high level meeting held by Buthan was held in 2012 and the first "World Happiness Report" was published (Helliwell & Wang, WORLD HAPPINESS: Trends, Explanation and Distribution, 2013).

1.2 The effect of institutional conditions on individual well-beings

In psychology, the subjective well-being is a personal evaluation anyone makes of his/her personally experienced positive and negative affect, happiness, or satisfaction with life.

A big impact on the quality of life people run is made by the quality of institutions that rule the country where they live in. Researches show that the higher the quality of governance is, the better it is for individual well-beings. There are real benefits for individuals coming from an improved accountability, a government stability and a well-implemented law regulation to prevent corruption. It can be said that the quality of institutions affects the well-being of a person even more than the productivity or the economic growth, and such a statement is worth not only from an individual point of view, but also from a whole society one (Helliwell, Haifan, Grover, & Wang, 2018).

1.2.1 The importance of the "Constitution"

When it comes to law and regulation, the highest institutional value is assigned to the "Constitution". The way the latter is implemented tells a lot of the view a certain country has of its citizens, leading to lots of phenomena characterizing governance, individual response to law and behavioral attitudes towards the whole society and personal spheres.

The real question to answer to, when designing a constitution relies on how to limit individuals' exploitative behavior, and to what extent, without driving out civic virtues. Plenty of implications, assumptions and studies about human nature need to get a discussion about, a trustworthy bond between the State and the citizens has to be created. Once citizens feel the trust coming from the public laws, their civic virtue is boosted. Elements that help put such an extent are the possibility to take part to the public life and extensive rights: strikes, referendum, initiatives. A constitution designed this way enriches the assumption human beings are reasonable on average, and such a trust bond between them and regulatory laws ends up generating a Crowding-in effect[1] of civic virtue (Frey, A strict or lenient constitution?, 1997). On the other side, when laws are implemented on the reasoning that citizens are either knaves if given the chance to, or free-riders in prevalence, then a fundamental distrust comes in play and a strict discipline to follow leads to a crowding-out effect[2], where individuals are less prone to even exert towards basic law.

Tax laws are an easy example to assess the feeling institutions and governance have about citizens. To better understand it all, a question needs to be asked: "who has to carry the burden of proof?" In some countries, when it comes to tax evasion, the first thought is that cheating is intrinsic in human nature and therefore it is up to individuals proving that what they legally owe to the State has indeed been paid. The opposite happens in other countries, where the main assumption is that citizens pay their "fair share", leading to tax institutions proving someone is a tax evader. A constitution distrusting its citizens generates dissatisfaction and a non-virtuous individual characterized by looking for a spot to break laws when the transaction cost of such an action is bearable. As a consequence,

[1] Conditions in which external interventions (in the above paragraph, they are set by institutions) tend to bolster individual intrinsic motivation towards a certain behavior to adopt

[2] Conditions in which external interventions (in the above paragraph, they are set by institutions) tend to undermine or backfire individual voluntary behavior or feeling towards something

the State rises up the transaction costs for misbehavior and a bureaucratic interaction between the government and individuals is then taking place, leading to always increasing transaction cost and low productivity interactions.

Therefore, the real question lays in individualizing any chance to design a constitution, enriching the good aspects of trusting citizens without undermining the possible "crowding-in effect", and at the same time discouraging and running off free-riders behaviors and preventing politicians to exploit good citizens. In order to avoid politicians from adopting an exploitative behavior is mandatory not to induce citizens with low sense of civic duty to undertake a politics career in first instance. If a constitution is too strict, the latter subjects are indeed even more attracted to such a path because of the above-mentioned crowding-out effect; building a system to defend society from an exploitative conduct would still be too costly to install. Those insights bring to the consequence that the costs of a distrustful interaction between laws and citizens increase the chances of low civic virtue' s individuals to try politics career, and as it has been just explained, the latter stuff would lead to increasing transaction costs to burden the society.

Designing a trust-based public laws instead, avoids the crowding-out effect: there is no chance citizens undertaking politics would lower their civic sense once engaging such a career, but on the other side this trust may be taken at advantage by some other people (free-riding issue). According to what has been analyzed, the cost of a mistrusting constitution seems excessively high to bear (Brennan, Buchanan, & Buchanan, 1985). Nonetheless, it is safe to say that not all strict public laws always end up in higher transaction costs, as a constitution built this way is harder to allow the existence of multiple free-riders attempts in whatever area, and helps establishing an equity system, keeping constant the civic virtue meanwhile.

To have a clearer framework, it can be stated that a crowding-out civic virtue mechanism is accentuated when a strictly designed constitution meets:

1. an environment where there are close contacts between citizens and politics;
2. a belief that there is no space for an individual to voluntarily produce the best for the public good;
3. rewards given on the contingency of right kind of behavior;
4. a society used to a previous trust-based climate.

The perception individuals have of the society the live in, to what degree they feel their word is counting and meaningful at whatever level, the trust they perceive and the intrinsic motivation they ride, all influence the subjective well-being. This phenomenon is then reflected at a macroeconomic level, because once a selfish “not in my back-yard” mechanism takes place in people’ minds, then economic policies to increase the overall welfare of a nation in the long-run, accepting an initial transaction cost, are pretty much not well accepted by individuals, once citizens’ willingness to voluntary contribute has been driven out. All the implications mentioned have a direct effect on happiness and life satisfaction.

1.2.2 Weighing the effect of a certain kind of Constitution

It is hard to measure the direct effect of public laws and Constitution on individuals’ life satisfaction, happiness and to what degree any kind of it actually affects their civic virtue. Methods that have turned out being more successful rely on an indirect approach whose main focus is on citizens’ behavior. When it comes to taxation, which represents one of the main civic duties, econometrics has established how people’ behavior cannot be explained in a satisfactory way without taking tax morale into account (Frey, A strict or lenient constitution?, 1997). For example, Swiss people report an high score to tax compliance, which would be hard to explain without attributing a central role to tax morale: given the chance to be caught as evaders and the size of the fine to pay, there would be a bigger number of cheaters in Switzerland if morale commitment did not count a thing. This extent depends on which kind of Constitution rules the society in first instance, because it follows that the more citizens feel an opportunity to speak aloud and directly getting involved in what determine the outcomes of the society they live in, the more their intrinsic motivation rises and produces an higher rate of tax morale. Switzerland ends up being a successful sample to analyze as it has not too many inhabitants, it is divided in cantons, each with a different level of active participation: empirical evidence tells that those cantons where citizens feel having a political and economic voice are the ones where the latter score the higher tax compliance rate. It is not a case: a positive correlation between individual well-being politically/economically generated and tax morale commitment.

On a broader level, recent year studies and researchers stress the point that the way people perceive authorities, institutions and economic policies “treat” them, is the main criteria they use it to evaluate laws and subsequently turn out being the main driver to boost or undermine their intrinsic motivation to cooperate. If rules are designed "against" the whole psychological natural behavior, then it is going to drive out human beings' civic virtues. A balance between implementing a law system to punish worst possible behaviors without letting anyone having the perception of being labelled a "knave", is quintessential to fulfill humans' life satisfaction and happiness.

1.2.3 How good governance affects well-being "above and beyond" income

As recent years cross-national level data studies have highlighted, it can be stated that over a large time horizon, a change in the quality of governance leads to changes in individuals' quality of life. Such a key finding is the outcome of a large study made on a sample of more than 150 countries, stressing the relationship between people's happiness and the way governance affects it. Over the years 2005-2012, the ten most-improved countries in terms of changes in government service's delivery quality during that period, when compared to the ten most-worsened ones, are estimated to have average life evaluations higher by 0.4 points on a 0 to 10 scale (Helliwell, Haifan, Grover, & Wang, 2018). The latter findings come out of an improved analysis compared to the previous ones in the field, thanks to the data gathered from Gallup World Group[3], that together with the integrated "World surveys" and "European surveys", allowed the biggest coverage of happiness measures, overcoming data limitations' information that accounted for variations mostly led from cross-sectional differences. As an example, historical contexts and background characterizing some countries, like most of Latina American ones, provided a situation where respondents tended to have an above the average level of well-being despite of a low government' s quality. In those same countries, according to the Gallup World Poll, citizens perceive a higher degree of corruption when it comes to governance and business than the average of the 150 countries' sample. The same can be said about confidence towards national institutions. Therefore, to solve the anomalies generated by variables not concerning the relationship between governance quality and happiness, a shift towards comparing the changes a government and its economic policies produce within the same context, neutralizing the national differences, has been

[3]The Gallup World Poll tracks the most important issues worldwide, such as food access, employment, leadership performance, and well-being.

implemented. Looking at changes over time within the same countries guarantees cultural features' exclusion and leave the possibility to weigh any policy's impact on individuals' well-being, not to forget the chance of eliminating the effects of long-standing country-specific factors that could come into play, compromising the governance-happiness relationship. Changes analysis has its own drawbacks, too. It still does not have the power to avoid other forces to drive changes in the quality of life and government's perception. Trying to weaken those forces' power to influence the whole relationship study can be achieved drawing data from different sources. Change analysis overall allows a better linkage on how changes in government do play a direct or indirect role in individuals of that nation well-being. A government's improvement may lead to a better control of corruption, which could eventually promote an economic growth and support increasing the citizens' perception of social trust.

Theories about how good governance improves life evaluation have flown over the years. It is said to work both in a direct way allowing citizens to feel satisfied and happy of the way society is run from above, and indirectly thanks to the possibility good government gives them to achieve something that they consider directly impacting on their well-being, through institutions' support and reliability. Each private sphere of a human being is influenced by how society runs stuff, both in the private and public sectors. Such a built framework affects enterprises and work conditions, the way bargains are set, respected and run, creates or compromises a path to any national economic growth and determines jobs opportunities. All that leads to a certain level of trust individuals nourish towards the society they live in: a high level of the latter has the power to make people happier above and beyond higher income. Psychological aspects must never be counted out when something is set up to improve or change any micro-or-macroeconomic situation standing at any time. Whatever policy is implemented leads to a circle of consequences: fighting corruption and tax evasion, for instance, truly sets flourishing conditions for people.

In order to have a better view of the direct and indirect linkages between good governance and well-being at the national level, we have to divide our analysis in two different evidence-based correlations' models. On one side, there is the single and basic relation, while on the other one, a model built to figure out channels of influence stands. Historically, because of the huge quantity of intermediating factors having the chance to link the two variables we are studying, the chosen one to focus and control has typically been “economic outcomes”, in order to open up the opportunity to compare the economic vs noneconomic channels whereby governance affects the quality of life (Helliwell, Haifan, Grover, & Wang, 2018).

Since, the main objective of this thesis is proving economic outcomes are not the only result to look at in order to study a nation and individuals’ happiness and well-being, it is to forecast such a statement is going to be questioned, as it has actually happened in recent years by some economic literature. The typical approach was about searching for connections between governance and economic data to then build a framework of the well-being both at macro-and-micro level. The fist critique to such a practice has to be attributed to Richard Easterlin, thanks to his study of the American situation in two different decades. Because of the “Easterlin paradox”, it is not safe to say anymore that, when countries get richer, they automatically get happier. Later we will deeper discuss about this paradox. According to other students of the governance and well-being’ relation, a strong evidence has been reported only for middle income countries, leading to the theory that, increased income is associated with “negative indicators of life quality such as increased pollution, the social costs of economic transformation, the importance of positional goods and the dominance of country- or locally-based relative income concerns[4]” (Kenny, 2005). Another quintessential element to take into account whether there is a concordance between income and happiness’ movement or not, is time: results can completely change according to the time spans chosen for comparison (Easterlin & Sawangfa, 2010).

Nonetheless, if income actually has an impact on a nation well-being, what was wrong in isolating economic outcomes to analyze the effect of a certain governance, or even some single implemented policies and laws? The Easterlin paradox is about the divergence development that characterize some countries on occasions, where an income rise yet leads to a happiness decline (or stability, at best). When such a situation verifies, it means that the income rise has come at expense of other variables that influence humans’ well-

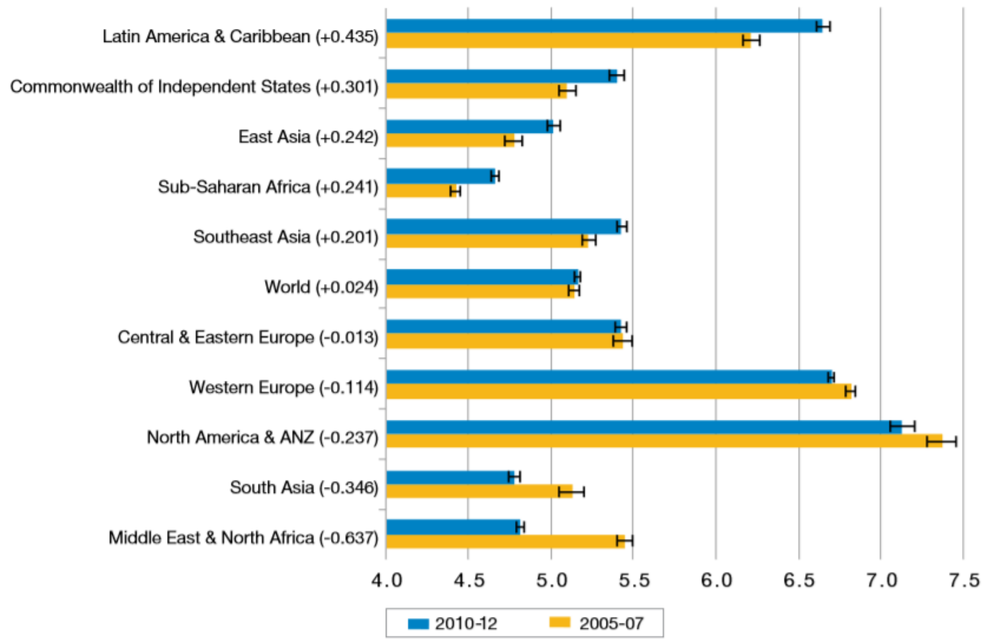
[4] The Gallup World Poll data for more than 150 countries have been gathered to show income effects that are pretty much the same but concern countries that do differ in development level (Deaton, 2012). This outcome fights previous ones based on the World Values Survey that compared income effects between OECD a non-OECD countries, leaving the hint that they were smaller for the first ones (Helliwell, How’s life? Combining individual and national variables to explain subjective well-being, 2003)

being. Therefore, income positive impact on happiness has been offset by other variables' decline, like for example, social trust among citizens and towards institutions.

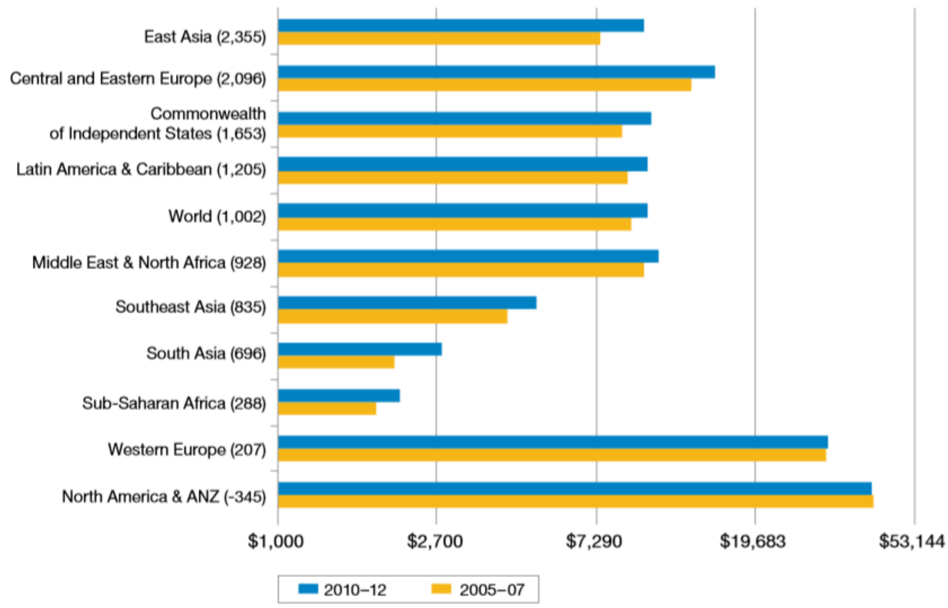
Further evidence about the veracity of the offsetting outcome of some income increased-based driving processes, comes from explanations given to average changes in life evaluation from 2005-07 to 2010-12 for 130 of the examined countries, which turned out to have happened for three-quarters due to factors other than income.[5] Six are the key factors used to pull out the result and being able to spot the likely reasons why life evaluations are higher in each region or country than in a hypothetical comparison country called Distopia. Distopia is faced with the world's lowest national average values of each of six key variables that we have found to explain three-quarters of the international differences in average life evaluations: GDP per capita, years of healthy life expectancy, having someone to count on in times of trouble ("social support"), perceptions of corruption, prevalence of generosity, and freedom to make life choices. Not to run into statistical errors, thanks to the Gallup World Poll, the most trusted comparable data for countries were gathered and the respondents' answers in the period 2010-12 were used to look for possible trends in the period, compared to data available for the same countries in the 2005-07. The sample was made of 3.000 subjects, an average of 1.000 respondents per year for each country, to have a size able to cut off uncertainty about the results at its best. The three main life evaluation types, the Cantril ladder[6], happiness about life, satisfaction about life, were shown to have different values and distributions but producing the same framework to gather information from when analyzing differences among individuals and nations.

One of the key finding is that, even though plenty of countries suffered an economic crisis with subsequent income' issues in the biennium 2007-08, the World overall is now felt to be a slightly happier place compared to the before financial crisis' years.

[5] Helliwell and Wang in the "World Happiness Report" of 2013 analyze the reported study.
[6] It is a method use to let people interviewed putting their life in perspective. Supposing that standing at the top of the ladder means living the dream life, while staying at the bottom is a synonym of the worst possible life the respondent can imagine, he/she has to answer to which step (from 0 to 10) he/she personally feels at the moment.



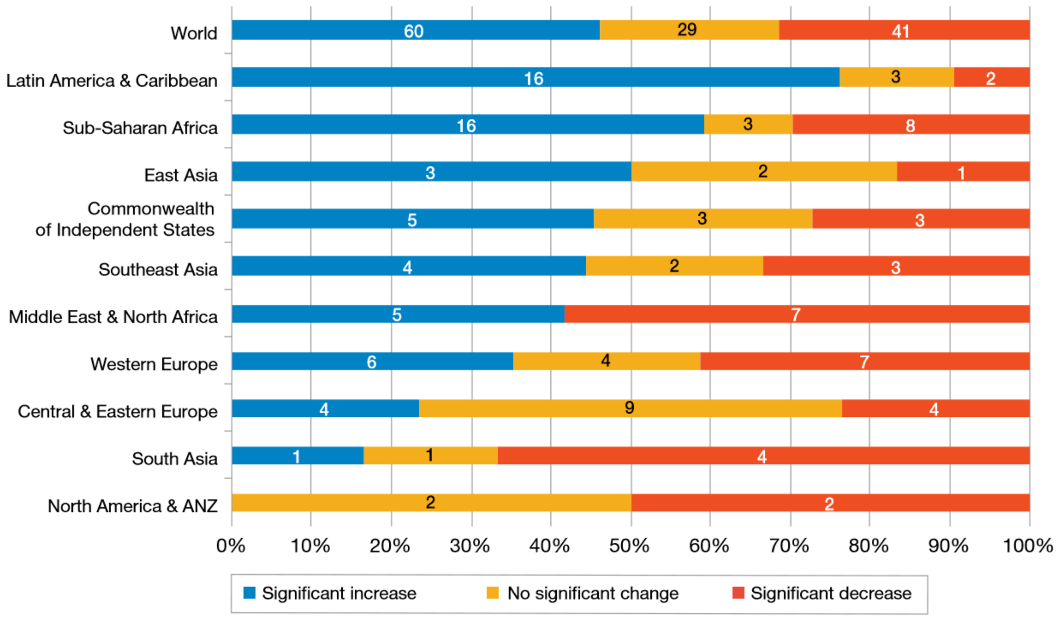
Graph 1.1: "Comparing World and Regional Happiness levels 2005-07 and 2010-12 " (Helliwell & Wang, WORLD HAPPINESS: Trends, Explanation and Distribution, 2013)



Graph 1.2: "Population-Weighted GDP Per Capita by Regions: 2005-07 and 2010-12 " (Helliwell & Wang, WORLD HAPPINESS: Trends, Explanation and Distribution, 2013)

Looking at the above graphs, it is easy to assess how incomes' changes, in the terms of "Population-weighted GDP per capita by regions", does play a role in determining regional happiness level, but it is not as important as it is commonly thought. For istance, Middle East & North Africa experienced an income per capita rise in 2010-12 compared to 2005-05 level, but it was offset by other element impacting on regional level happiness, as the latter decreased over the same period.

The single countries within a single region follow similar paths but do have some differences among themselves, as they have been put in a category according to their trend. It is shown in the graph below:



Graph 1.3: "Countries with Rising and Falling Happiness: 2005-07 and 2010-12" (Helliwell & Wang, WORLD HAPPINESS: Trends, Explanation and Distribution, 2013)

Latin American & Caribbean appear as the world area experiencing the greater improvement in reported regional happiness level in 2010-12, compared to where it stood in 2005-07 period, with just two countries worsening their situation. On the other side, Middle East and North Africa saw a decrease of their inhabitants' reported life satisfaction primarily because of a mix of social and political issues.

Within each of those regions, it was highlighted how governance emerged as one of the main drivers influencing the six variables used to trace the sample surveys' outcome. The latter gives us a broad glance at how people assess the quality of their lives throughout the world, and of what might be done to improve their chances of conducing better lives (Helliwell & Wang, WORLD HAPPINESS: Trends, Explanation and Distribution, 2013).

Data show that, even if this period saw the worst and unevenly distributed economic recession of the last half a century, reported happiness has not fallen that much, witnessing that other factors played a larger role than GDP per capita.

Furthermore, it is the case to remember that a better governance operating way offset any income or transaction cost impact. For instance, analyzing the life satisfaction in Switzerland, comparing different economic and rules' setting policies in different cantons, Frey and Stutzer were able to state that the degree of participation to political decision making process ended up being one of the main variable marking individuals' utility gain (Frey & Stutzer, Beyond Outcomes: Measuring Procedural Utility, 2005). Focusing on "procedure utility" guarantees a broader view of what is able to influence life satisfaction, it is a channel to analyze to look at the means behind a certain outcome. In addition, another channel good governance has the power to enhance and to indirectly impact on subjective well-being is social trust. When institutions and authorities are trusted, such a good climate is translated in citizens relationship, whether they are working ones (like among colleagues) or not, and this leads to an improved quality of contacts among people. A trust-based society is pivotal to create a community-purpose spirit where there is cooperation and faith in authorities' actions: the perception a community has of the police is a mirror to look at to further come out with findings about the trust level relationship are built on in such an environment (Helliwell & Putnam, The social context of well-being, 2004). Therefore, it becomes clear how institutional differences drive cultural ones in achieving a certain degree of social trust, a look at migration flows allows a clear framework on how people living in countries with lower-quality institutions find it hard to develop their potential and seek a better environment elsewhere. Criminality and life values are other direct consequences of the quality of governance, as social trust differences across countries tend to be highly correlated with both traffic fatalities and suicide rates (Helliwell & Wang, Trust and Wellbeing, 2011).

1.2.4 The real connection between Governance and Subjective Well-Being

Several studies to deeply analyze the real connection between governance and subjective well-being have separated governance's features in two different sets to weigh the effect each has on people life satisfaction and then make a comparison. The first one detects elements accounted for the government quality of delivery in terms of reliability and responsiveness; while the second one is about the "democratic quality" of it according to the degree presence of representation and democratic elections' elements. The first attempt to have a multi-country evidence was from three waves of the World Values Survey, but covered only 46 countries, a sample not representative, as OECD[7] countries were too many compared to non-OECD ones. The key finding was about discovering how life satisfaction differences were based on differences in an average of the six World Bank governance measures: government effectiveness, regulatory quality, rule of law, control of corruption, voice and accountability, and political stability and absence of violence. Government quality turned out being even more important than what was evidenced, while GDP per capita and education had an opposite outcome, hinting their influence was mostly indirect to life satisfaction determinants. Those results were not representative of the real worldwide situation though and later works covered a bigger sample of countries and split the six World Bank governance measures into two sets of quality measures. The one about quality of delivery was measured as the average of four elements: government effectiveness, regulatory quality, rule of law, and the control of corruption; while the everything belonging to the quality of democratic processes' area was based on the other two elements left: voice and accountability, and political stability and absence of violence (Helliwell, Haifan, Grover, & Wang, 2018). After such a split, the given outcome was about the major impact the quality of delivery has on individuals' well-being rather than the presence of democracy. No country was unaffected by the first set of quality measures, while democracy quality showed differences in this cross-regional countries study, with the richer ones reporting a positive influence seeing it offset by poor ones, turning out in a zero overall impact on countries as a group (Helliwell & Huang, How's Your Government? International Evidence Linking Good Government and Well-Being, 2008).

[7]OECD stands for "organization for economic cooperation and development" and was founded in 1961 by 18 European countries plus USA and Canada, with the purpose of creating an organization dedicate to achieve economic development. Today there are 36 countries adhering and they are worldwide, including emerging realities, too (Mexico, Turkey, Chile).

The prevalent impact of the quality of delivery has been confirmed by latest research, while the role of GDP per capita has changed over the past decade. As samples have grown in the number of units included across the world, thanks to the Gallup World Poll data gathering, larger differences in terms of income per capita have appeared with a bigger presence of non-OECD countries.

Difficulties in measuring what makes a government good for citizens still persist, because of different beliefs, tastes, worldviews within a single country and across cultures and nations. Therefore, there will always be some ambiguity in terms of government quality's measures that are internationally comparable, even when reported outcomes on subjective well-being are similar. Nonetheless, it is quintessential to analyze how techniques work out differently among different cultural and per capita income groups of countries, as some reliability of cross-cultural comparability of live evaluations, and what drive it, has been tested and verifies by governance and subjective well-being relationship in all the elements belonging to the sample. A sufficient degree of consistency on what it is pivotal to boost individual happiness has been highlighted by several survey-based research across the world.

As a conclusion, the quality of service delivery is considered the biggest feature governance has to affect life satisfaction. The gap it has with democratic quality changes, in terms of power to influence, changes as the income per capita rises. The more developed the country the bigger the influencing power democratic processes have on the quality of life.

1.3 Measuring utilities and criteria to assess happiness and life satisfaction

There are different theories about how to measure utilities. Standard economic theories do rely only on what is observable, it is a scientific approach where individual utilities only depend on whatever is tangible, whether it is a good, a service or leisure. People's preferences are revealed by their behavior: the whole psychological background behind any kind of action is way underrated because it is considered hard to count and classify. Such an approach, which is called "axiomatic" is also used to derive not only individual utility but also social welfare through an analysis of the overall consumption behavior.

Such a view where observability is the main criteria to classify and rank a choice is still very dominant nowadays. Nonetheless, there are ongoing views challenging that approach, considering self-esteem, emotions and other intangibles variables leading to a certain choice. Counting out all the non-scientific elements, there is a boarder limit to the chance to truly understand and influence human well-being. Once emotional aspects are taken into account to measure utility, it is clear that subjective utility becomes a bigger fish than decision utility, as it includes experienced utility as well as procedural utility (Frey & Stutzer, What can economists learn from happiness research, 2002). For most people it is the real goal in life. All tangible aspects human beings work on and make decisions about, such as job security, money and income, power, social status, are seen just as means to hit it off in reaching such a scope. Counting in the intangibles allows a direct way to detect individual well-being, so that, a basis to challenge fundamental assumptions and proposition in economic theories when implementing a macroeconomic policy is traced.

The first assumption of the subjective view is the uniqueness of individuals: everybody has his/her own idea about happiness. So how do we get indications of individuals' evaluations of their life satisfaction or happiness? How can we capture and analyze such and intangible value? Asking directly is a sensible tradition in economics, based on the assumption that everyone is the most accredited judge of his/her personal quality of life. People answer according to ongoing and surrounding circumstances, comparisons to other human beings, past times and future expectations. Measures of subjective well-beings can then be used to trace general individual utilities thanks to big surveys. Among all the different approaches, the one which is considered the most prominent, is "the Satisfaction with life Scale". The latter gives the chance to different subjects determining life satisfaction, such as finance, income and health, to integrate and weight these domains in the preferred way. Research has identified two large aspects that summarize it all: on one side emotions, either positive or negative; on the other side a more cognitive element targeting more towards practical satisfaction, which tends to receive less attention. Life satisfactions refers to a process of personal judgement based on anyone's unique set of criteria. A comparison of one's perceived life backgrounds and future expectations with a self-imposed standard is presumably made, and to the degree there is a match between those two, people assess or not an high level of satisfaction. Then, it is safe to say that, even if some elements are equally considered pivotal in order to live happily (like the absence of diseases or constant economic issues), there is an high chance individuals are going to weight other domains differently one another. The same can be told when it comes to classifying what makes life a good one or what set of elements is needed to hit it off in other areas of life.

Therefore, it is mandatory to find a way to assess an individuals' global judgment of his or her life rather than only his or her satisfaction with specific domains (Diener & Pavot, Review of the Satisfaction with life scale, 1993). The "Satisfaction with life scale" covers the theme complexity introducing global elements to be answered rather than specific ones, so that respondents are given the chance to value domains of theirs according to personal criteria to then arrive at a global judgment of life satisfaction. It is only composed of five questions, rated on a scale from 1 to 7.

However, even the latter method is prone to giving results suffering biases, because it must not be taken for granted that people are capable and willing to give meaningful statements when it comes to something as personal as declaring how their life is actually going on. Furthermore, lots of variables may affect he answers, from the mood people are when doing the survey, to the way questions are disposed and the word used. That being said, the result, even if they will not be errors-free, are still capable of processing truly important information economics, governance and institutions have to give a glance at to better understands the real determinants of individual happiness.

Most biases cannot be overcome by any econometric techniques. An example of it is the general lower life satisfactions youngsters score in comparison with older people: there may be a correlation between age and happiness, like the younger someone is the more he/she is overwhelmed by personal achievements anxiety, which affects the survey's answers. So, in addition to the statistical preconditions to study the determinants of happiness, further conditions have to be met if welfare comparisons are undertaken on the basis of reported subjective well-being (Frey & Stutzer, What can economists learn from happiness research, 2002)). These conditions are cardinality and interpersonal comparability of the individual statements of well-being.

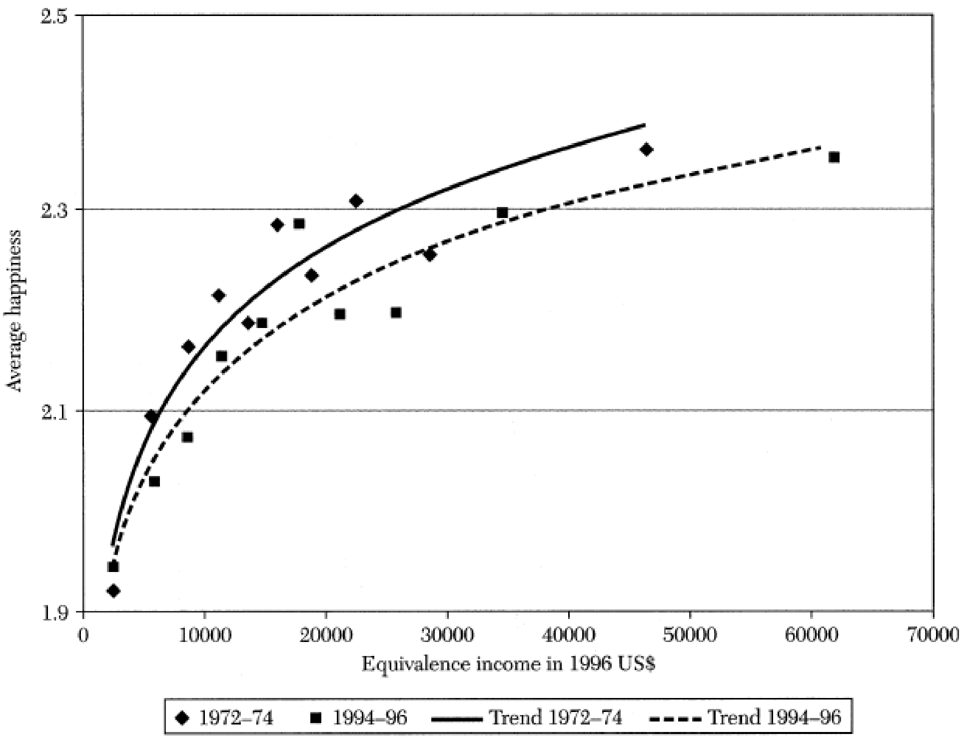
Once all those variables, hypothesis and conditions are included and mixed, it comes out in a straightforward way that happiness research and subjective well-being is a valid item to detect individual utility and therefore worth to study at a macroeconomic level, not just a micro-one.

Anytime politics, international authorities and whatever economic institution, implement a policy, it is worth to study the latter effects on happiness.

1.4 The Way Income Affects Happiness

There is no need to be hypocrite: money helps living a better life, because it allows people to get access to material goods and services, which, especially in Western societies, are items no one deprives from by choice. The higher the income of an individual or a family, the greater the opportunity to achieve material stuff and to guarantee a social status empowerment. It would be logical, based on such a statement, that richer people should obtain higher scores in on happiness and life satisfaction's surveys. Plenty of opinions and literature's dissertations have stressed whether, and to which degree level, a relationship between income and happiness exists. Through the years, it has been affirmed that, on average, richer people report higher subjective well-being.

An example occurring to defend such a thesis comes from what has been the case for the United States. Researchers gathered data to analyze the possible connection between money and happiness during two different periods of three years each. It has come out that a strong positive relationship between (equivalent) real income and happiness actually existed both in the first observed period, 1972-1974, and in the second one, 1994-1996. The graph below shows such results. On the y-axis, there are the reported scores of average happiness level, going from 1 "not too happy", to 3 "very happy". On the x-axis, instead, it is represented the equivalent income (adjusted by purchasing power and inflation).



Graph 1.4: “Happiness and Equivalence Income in the United States”; Source: General social survey; National opinion research center (Frey & Stutzer, What can economists learn from happiness research, 2002)

To have a deeper look at the data highlighted in the graph, the table below sums up the whole study. Based on the answers given by respondents about happiness, the full sample was divided in ten different groups, whose lowest mean happiness scores were 1.92 for the 1972-1974 period, and 1.94 for the years 1994-1996; while in both ages the highest decile score stood at 2.36. It is easy to see how to a higher mean equivalence income corresponded a higher mean happiness rating. Therefore, it can be stated that in the United States, in both those periods, people with higher income turned out being happier (Frey & Stutzer, What can economists learn from happiness research, 2002).

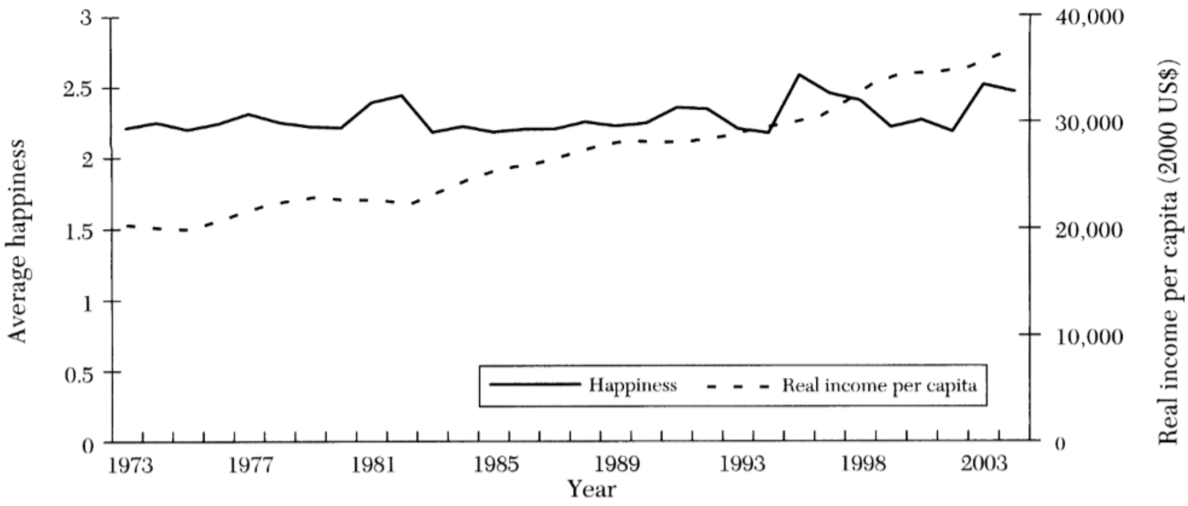
Equivalence Income[a] (1996 US$)	Mean Happiness Rating[b]		Mean Equivalence Income		Number of Observations	
	1972–74	1994–96	1972–74	1994–96	1972–74	1994–96
Full sample	2.21	2.17	17434	20767	4214	5171
Decile						
1	1.92	1.94	2522	2586	421	499
2	2.09	2.03	5777	5867	419	528
3	2.17	2.07	8694	8634	417	497
4	2.22	2.15	11114	11533	416	542
5	2.19	2.19	13517	14763	391	512
6	2.29	2.29	15979	17666	460	500
7	2.24	2.20	18713	21128	393	527
8	2.31	2.20	22343	25745	447	529
9	2.26	2.30	28473	34688	427	472
10	2.36	2.36	46338	61836	423	565

Table 1.1: “Happiness and Equivalence Income in the United States”; Source: General social survey; National opinion research center (Frey & Stutzer, What can economists learn from happiness research, 2002)

The situation is not much different in Europe, as a similar study at the times has carried out similar outcomes.

Nevertheless, something else, less easy to catch needs to be stated: additional income does not raise happiness ad infinitum, and not for certain (Frey & Stutzer, What can economists learn from happiness research, 2002). The graph underlines how the relationship between income and reported happiness is not a linear one: not any income increase leads to a rise in the mean happiness rating. Such a phenomenon is a consequence of the diminishing marginal utility that characterize income. The higher the initial income level, the less an increase of it boosts individual happiness. As the table evidences, the lower the decile the more an income increase generates a bigger reported happiness boost. In 1972-1974, if someone in decile 1, with an initial average income of 2522$ sees it more than doubled up (5777$), his/her mean happiness rate increases by 0.17, a net rating increase that would not come out if the income doubling happened to individuals belonging to a higher decile.

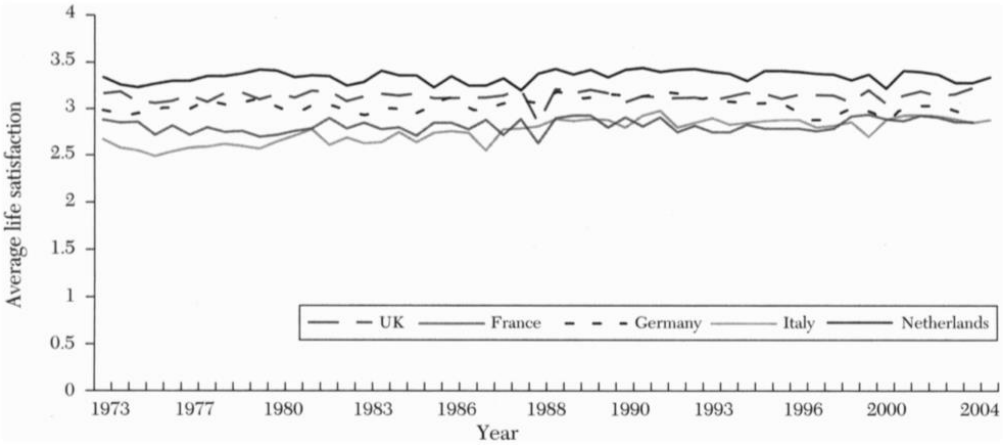
Therefore, it can be argued that, once a human being is out of a poverty threshold, which varies based on the country where he/she lives, money is not a happiness driver anymore, or at least not one of the strongest: this is the, so called, “Easterlin paradox”. He analyzed how a real income per capita growth that characterized societies after World War 2 did not lead to a substantial increase in the reported individual happiness. Here is the United States example:



Graph 1.5: “Happiness and Equivalence Income in the United States 1973-2004”; Source: World Databse of happiness and Penn World tables (Clark , Frijters, & Shields, 2008)

The above graph shows how just reported happiness did not followed any real trend for the American citizens over such a long period of time, while real income per capita has almost doubled up. The additional income seems to have an effect just in time, but not a permanent one.

Such a phenomenon is not just an American one, as many European countries have experienced the same income growth in the same years, with reported happiness and life satisfaction’s trends not sharing the same constant and lasting increase.



Graph 1.6: “Life Satisfaction in Five European Countries, 1973-2004”; Source: World Databse of happiness (Clark , Frijters, & Shields, 2008)

From those graphs, it appears that money does not buy happiness. But, indeed, a parallel body of work in the macroeconomic literature field has highlighted that, what the previous cases’ outcome suggests, is only partially true: money does affect well-being, not only in a marginal way.

Latest studies tell that, whether a country is developed or developing, it does not make all that difference. In both cases, a regression of happiness on income using cross-section survey data from one country generally produces a significant positive estimated coefficient on income (Clark , Frijters, & Shields, 2008). Nonetheless, the slope of this relationship (additional income – happiness) is still larger in developing countries. The poorer the country, the more a per capita GDP rise the greater the following happiness’ boost.

Recent work has also stressed the focus towards human beings’ personality traits, and again, the produced effects on those variables hard to observe, lead to the statement that: there is a positive correlation between real income changes and happiness ones.

Furthermore, “macroeconomics of happiness” studies, based on large samples of cross-time and cross-country models, have shown that actually happiness co-moves with macroeconomics variables like GDP per capita, GDP growth rate, Inflation (Clark , Frijters, & Shields, 2008).

Hence, the real issue economy literature has to address, is identifying ways to practically take into account the income-happiness relationship when a government implements an economic policy.

When looking at this relationship, it is pivotal to have a relative perspective, not to make interpretation mistakes. Higher income does not always translate in higher happiness, as we have already discussed above. The reasons why it may happen are several, and one of those it is about the comparative approach human beings adopt when looking at what they have. It is not always about the absolute income position someone has, but rather one's position relative to other individuals (Frey & Stutzer, What can economists learn from happiness research, 2002). Such a relativity approach is closely connected with the importance of time and aspiration theory that are going to be asserted in the next paragraph. Individuals result happier only if an eventual income increase improves their situation compared to others. Therefore, if anyone suddenly receive the same increase in income, it is highly improbable that the latter leads to an increase in individuals' happiness.

Another element to look at when asserting the effect income has on happiness, concerns the different value people give to material goods according to their personality. The more materialistic human beings are, the higher the chance to end up feeling less satisfied (Sirgy, 1998).

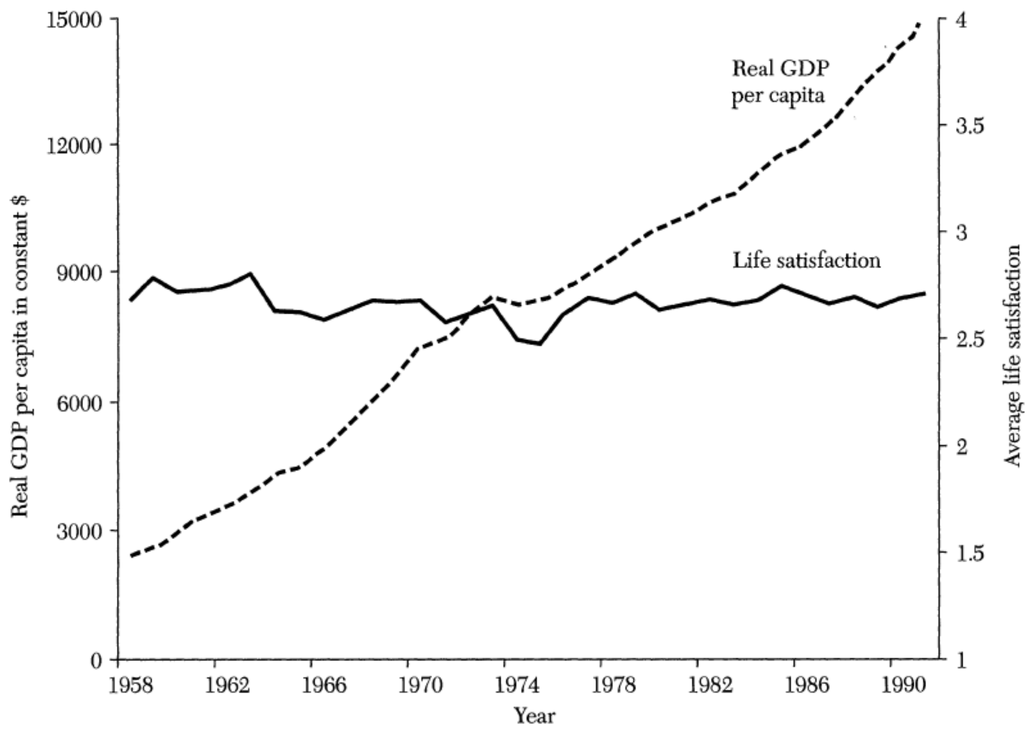
According to researchers, to better have a true perspective of the way income and individual welfare are connected, it might be asked any human being, belonging to the sample to analyze, to evaluate their income and others with a qualitative description, ranging from "very bad" to "excellent". In doing so, everybody needs to compare the current situation with worst and best imaginable ones, when answering. It comes out that, it is possible to make a projection of the income amount each individual needs to reach a mean welfare level (Frey & Stutzer, What can economists learn from happiness research, 2002). It ends up that, people belonging to different income ranges do have a different idea of what is required to reach a sufficient welfare. The income level rich people ask for it, is much higher than the one poorer people need.

Nonetheless, there are too many variables to consider behind whatever level of income an individual believes appropriate to reach a certain welfare level, or to increase his well-being. Whatever social status' comparisons he is making before answering, the effect ex post is usually lower than what was thought it would have been before happening.

Given that, the topic this thesis wants to stress the focus on, the happiness economy, goes far ahead of numerical monetary aspects, the dissertation cannot proceed without investigating further. Looking, for instance, at how a certain income level is reached, at what people are demanded for to achieve it, at the whole job occupation and satisfaction sphere; not to forget about life balance and other variables. Hence, a closer look at the real reasons behind why changes in income do not always count as much as expected in terms of happiness' differences among people, is going to be given in the next chapters.

1.4.1 The effect of time on the income-happiness relation

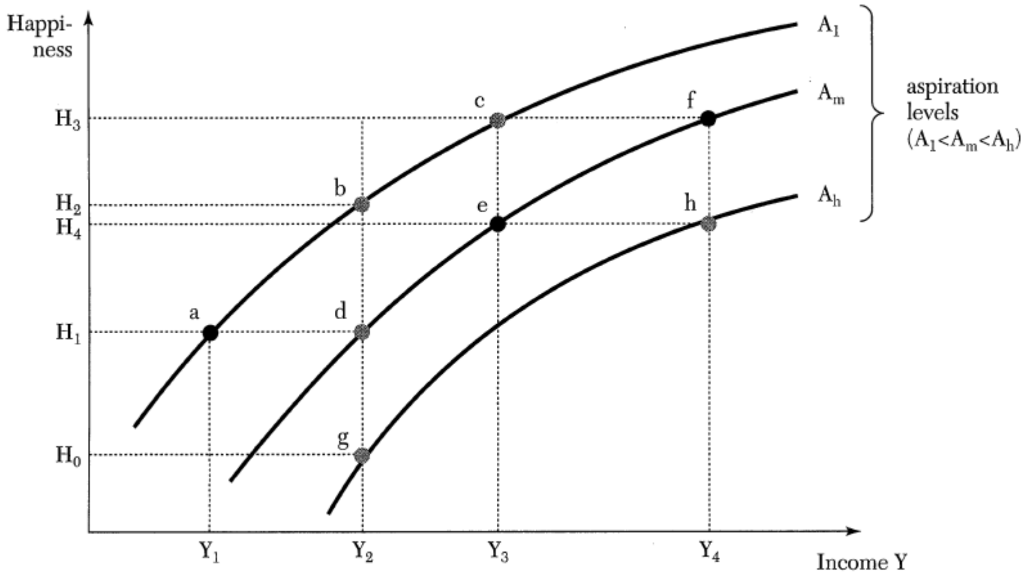
Supporting the theory that, an income rise leads to an only temporary individuals' happiness' boost is the after World War 2 example. Several countries saw their income per capita increasing a lot, but their citizens' reported perceived happiness did not follow that trend with the same intensity. The overall direct effect did not prove to be that high over a life cycle. What happened between 1972-1974 and 1994-1996 in the United States, was not an isolated case. Japan experienced a similar situation, with a constant rise in the income per capita after World War 2 until the 90s and a subsequent people improved purchasing power (even if, of course, it did not rise as much as income) and living conditions. Though, the phenomenon did not translate into an increase in average life satisfaction, as on a range from 1 to 4 the Japanese scored a 2.7 mark in 1958, which was the same of 1991, as the graph below witnesses:



Graph 1.7: "Satisfaction with Life and Income Per Capita in Japan between 1958 and 1991"; Source: Penn World Tables and World Database of happiness (Frey & Stutzer, What can economists learn from happiness research, 2002)

Better survey's construction, methods and improved questions construction have to be taken into account when looking at those numbers, but the fact that, the huge income increase did not correspond to a similar rise in life satisfaction remains. Denmark, Germany and Italy had similar monetary paths over the period and experienced reported life satisfaction improvements, but not of the same magnitude. Consequently, there is a lot more than income impacting on individuals, especially over long periods of observation. Human beings are constantly evolving and adjusting to past experiences over their lifetime. That is why time plays a large role on the income-happiness relationship, the effect of an increased wage allows people to improve their consumption possibilities and it gives them an extra-pleasure in the immediate time. After a while, that extra-happiness effect is going to disappear, letting life satisfaction get back to the level it was before. Satisfactions depends on change and disappear with continued consumption because of adaptation and aspirations. According to aspiration level theory, what really drives any happiness level is the gap laying between aspiration and achievement. The more someone gets, the more he/she wants. As income per capita rises, individuals' marginal utility changes too. Furthermore, most people believe that the tomorrow is going to be better, no matter how bas the past was, because of the "changing aspirations" effect.

The effects of changes in income affecting aspiration levels are illustrated in the graph below:



Graph 1.8: "Happiness, Income, and the role of the Aspiration level"; (Frey & Stutzer, What can economists learn from happiness research, 2002)

At the beginning, individuals' aspiration level lays on A(l) curve, so that an income level amounting at Y1 generates H1 happiness. Then we can draw the first level of aspiration at point "a". If, for whatever reason, income level enhances to reach Y2, happiness subsequently moves up to H2. We have the second aspiration level point, which we call "b". Going on with such a process, we can draw as many aspiration level points as we want, considering that the curve is built on the decreasing marginal utility of income, as it is normally assumed in general economic theory.

But people aspiration level does not remain constant over time, so curve A(l) is representative of the income changes' phenomenon just for a certain period. So, an income rise from Y1 to Y2, does not generate a shift on the same curve from point "a" to point "b", as it has just been said above. The aspiration level theory suggests that those curves move downward as income increases, so that for instance, for an individual having an A(m) aspiration level curve, the required income to generate an H3 happiness amounts at Y4, which is much higher than Y3, which is the amount needed to reach the same happiness level once the individual' s aspiration level was on curve A(l). The expected happiness boost given by an increase in income because of a certain aspiration curve does not happen, because that increase brings up aspiration to a higher level, reducing the overall effect on happiness. Therefore, higher income makes people happier, but because of the effect of time and changing aspiration, such an increase is smaller than with constant aspiration curves.

This graph helps us understanding the role of time in the income-happiness relationship given by the always changing evaluations individuals make of happiness related to past experiences and future expectations. If at a given point in time, a woman has an income level of Y3 and an aspiration curve A(m), then she makes a judgement of her past happiness on the basis of the aspiration level curve she is at in that moment, A(m). Before reaching that income, Y3, she may have had a lower level, let's say Y2. At the time her aspiration was lower, which corresponded to a more income-rise sensible curve, for example A(l). The curve's slope measures its income-change sensitivity. As income has jacked up, from Y2 to Y3, the ex-ante income is believed to have generated an outcome of happiness H1 at point d, which is lower than point e, the one corresponding to the happiness level of H4, where the woman feels herself to be now. As a result, current happiness turns out to have experienced growth relative to the past situation. Though, when the woman received Y2 income, her aspiration was lower than what it is now, so at the time her correspondent happiness for that Y level was self-evaluated to be at H2, which is even higher than the current H4 level. Again, time proves to play a pivotal role in changing perceptions and aspirations. When it is time to evaluate future income-caused effects, it all still starts with current aspiration level. If a man has an income that amount at Y3 and has an aspiration curve of A(m), the he finds himself at point e. He expects, at the time, that, should his income increase from level Y3 to Y4, then point f would be reached, producing a happiness level H3 (which stands as the highest one on the graph). Though, the man is unable to anticipate that, when experiencing such a monetary improvement, his aspiration will increase leading the aspiration curve downward. So that H3 happiness level will not be reached once Y4 actually occurs.

Truth is that, because of time evaluation and aspiration models, whatever effect an income rise may have on happiness, it is always lower than beforehand.

CHAPTER 2: THE CASE OF URUGUAY AND THE UNIQUE FIGURE OF JOSE' MUJICA

2.1 Looking at Uruguay

Uruguay is a small country of Latin America that has lately caught worldwide attention, as it had never happened before, because of a fast economic development and a singular figure leading its presidential republic from 2009 to 2014.

Here is a glance at some data to have broader idea of how the situation has evolved from 1990 until 2017.

COUNTRY PROFILE

	1990	2000	2010	2017
World view				
Population, total (millions)	3.11	3.32	3.37	3.46
Population growth (annual %)	0.7	0.4	0.3	0.4
Surface area (sq. km) (thousands)	176.2	176.2	176.2	176.2
Population density (people per sq. km of land area)	17.8	19.0	19.3	19.8
Poverty headcount ratio at national poverty lines (% of population)	..	..	18.5	7.9
Poverty headcount ratio at $1.90 a day (2011 PPP) (% of population)	0.6	..	0.1	0.1
GNI, Atlas method (current US$) (billions)	8.84	23.42	35.06	52.73
GNI per capita, Atlas method (current US$)	2,84	7,05	10,39	15,25
GNI, PPP (current international $) (billions)	19.06	33.79	54.37	75.62
GNI per capita, PPP (current international $)	6,13	10,18	16,11	21,87
People				
Income share held by lowest 20%	5.3	..	5.1	5.8
Life expectancy at birth, total (years)	73	75	77	77
Fertility rate, total (births per woman)	2.5	2.2	2.1	2.0

Adolescent fertility rate (births per 1,000 women ages 15-19)	69	65	59	55
Contraceptive prevalence, any methods (% of women ages 15-49)	..	84	..	80
Births attended by skilled health staff (% of total)	99	100	100	100
Mortality rate, under-5 (per 1,000 live births)	23	17	11	8
Prevalence of underweight, weight for age (% of children under 5)	6.5	4.7	4.0	..
Immunization, measles (% of children ages 12-23 months)	97	89	95	95
Primary completion rate, total (% of relevant age group)	94	97	104	102
School enrollment, primary (% gross)	108.6	109.0	112.1	107.4
School enrollment, secondary (% gross)	81	98	90	112
School enrollment, primary and secondary (gross), gender parity index (GPI)	..	1	1	..
Prevalence of HIV, total (% of population ages 15-49)	0.1	0.4	0.5	0.6

Environment

Forest area (sq. km) (thousands)	8.0	13.7	17.3	18.5
Terrestrial and marine protected areas (% of total territorial area)	..	..	..	2.3
Annual freshwater withdrawals, total (% of internal resources)	..	4.0	..	..
Urban population growth (annual %)	1.1	0.7	0.6	0.5
Energy use (kg of oil equivalent per capita)	724	931	1,211	1,378
CO2 emissions (metric tons per capita)	1.28	1.60	1.89	1.97
Electric power consumption (kWh per capita)	1,244	2,03	2,803	3,068

Economy

GDP (current US$) (billions)	9.30	22.82	40.28	56.16
GDP growth (annual %)	0.3	-1.9	7.8	2.7
Inflation, GDP deflator (annual %)	106.8	3.5	4.9	4.0
Agriculture, forestry, and fishing, value added (% of GDP)	9	6	7	5

Industry (including construction), value added (% of GDP)	35	22	25	24
Exports of goods and services (% of GDP)	24	17	26	22
Imports of goods and services (% of GDP)	18	20	25	18
Gross capital formation (% of GDP)	12	14	19	16
Revenue, excluding grants (% of GDP)	23.8	24.7	29.9	36.1
Net lending (+) / net borrowing (-) (% of GDP)	0.5	-3.0	-0.9	-3.7

States and markets

Time required to start a business (days)	..	45	64	7
Domestic credit provided by financial sector (% of GDP)	46.7	50.2	31.7	35.3
Tax revenue (% of GDP)	16.2	14.7	18.9	23.7
Military expenditure (% of GDP)	3.5	2.4	1.9	2.1
Mobile cellular subscriptions (per 100 people)	0.0	12.4	131.5	147.5
Individuals using the Internet (% of population)	0.0	10.5	46.4	66.4
High-technology exports (% of manufactured exports)	3	2	7	10
Statistical Capacity score (Overall average)	..	..	96	86

Global links

Merchandise trade (% of GDP)	33	25	38	29
Net barter terms of trade index (2000 = 100)	116	100	93	112
External debt stocks, total (DOD, current US$) (millions)	..	..	..	..
Total debt service (% of exports of goods, services and primary income)	..	..	..	..
Net migration (thousands)	-20	-104	-30	-15
Personal remittances, received (current US$) (millions)	..	0	125	100
Foreign direct investment, net inflows (BoP, current US$) (millions)	42	263	2,191	-878
Net official development assistance received (current US$) (millions)	52.4	18.6	47.5	18.4

Table 2.1: "Country profile of Uruguay: data comparison"; Source; World Development Indicators database (The World Bank Group, 2018)

Data show positive trends going on in the major economic and social indicators, but such an economic growth was hard to predict once the Argentinian crisis had peaked around 2001.

2.1.1 The financial crisis of Argentina in 2001

Uruguay has always been affected by what happens in the two major countries nearby, Argentina and Brazil, whose relationship with has displayed to be pivotal not to lose pace towards economic development, especially since globalization has become the engine of all the international economic process, whose direct effect on national policies is undeniable. Therefore, what happened in Argentina in 2001, had a huge impact on the country.

The mutual dependency relationship between the International Monetary Fund and Argentina led the latter to be always less independent through the years and such a bond even went deeper along with Argentina's growing difficulties in the run-up to default. In the years preceding the financial collapse, Argentina had already often receive support from the International Monetary Fund to stay afloat in the international market and the latter had embraced the country as a statement testifying its policy advice's success (Setser & Gelpern, 2006).

Let's have a closer look at what happened in details.

During the biennium of 2001-2002 Argentina suffered a massive financial crisis. Among the main reasons leading to that outcome, there lays the monetary policy that had been established ten years before, under the presidency of Ménem, the "Currency board", a mean that let the local Argentinian currency, the "Peso" reaching the value of the American dollar, which was far stronger. In the short horizon, the movement paid dividends, but the government had underestimated the risk of losing control of the national monetary policy, as once the currency board had been implemented, the Peso value began depending only on the amount of dollars' reserve Argentinian owned at any time, in order to guarantee convertibility. Even while the "Currency board" was apparently working out for the best, Argentina had often to rely on the IMF's help, which should have created some alert looking at how the IMF had handled a similar situation in Asia. As a matter of fact, Argentina had self-consciously chosen to depend on the monetary loans coming from the International monetary fund, giving up on its economic independency. By the time the Currency Board was established, the country was suffering a high level of inflation and a constant flowing national currency value, and its ultimate goal was stopping the depreciation trend that was hurting the population purchasing power. Rising peso value to reach the American dollar one, importations had a boost at the expense of exportations, though. Furthermore, in order to gather attention from international investors and create better opportunities to catch American dollars inflows within national treasuries, the interest rate on private and public securities. In the long-run, it generated a constantly rising cost of money, which deeply prevent any chance to let the national economy develop. Considering what happened ten years later, it is safe to say that the risk the government decided to run, ended up being too difficult to cover, as the advantages from having a stronger currency were not enough compared to the real value of the Argentinian economy at the time, given the wide gap it had from the American one. Killing exportations weakened the national economy and did not allow Peso to bear the weight of such a high valuation. So, when external shocks left the Argentine peso overvalued at the end of the 1990s, no one was able to promptly face the situation, neither from the intern (the country's political system), nor from the outside (the relationship with the IMF). One of those major shocks happened when Brazil's currency suffered a depreciation of almost 50% in terms of American dollar. The following issues arose quicker than what had been expected, leading to a huge drop in the export economy, since Brazil was the main importer of Argentinian goods and it suddenly saw its population' s purchase power halved. Therefore, Argentina's economy began collapsing and reached the edge of default. The new government tried to restore public finances but truth was, that Argentina needed a massive help from International Monetary Fund, which first provided a loan of 40 milliard of dollars, and then added other 20. With the purpose of guaranteeing faith towards international financial markets not to let investors completely run away and drain national reserves, International Monetary Fund and Argentinian government implemented some austerity measures: taxation was risen, and so was the retirement age, while there were several cuts to public expenditure and workers' wages in the public sector. The intent behind those policies was clear: trying to reach a balance in the national accounting. Such a recovery attempt failed and had catastrophic consequences for Argentina, as it only provided some solvency for banks and investors but led to a general impoverishment of the population and a growing and hard to repay debt towards the International Monetary fund.

The national recession went on and reached its peak in 2001, with growth scoring a -14.7% compared to previous year, and unemployment rate overcoming 20%. Not to forget that half of the citizens were reported to be living under the poverty threshold. Argentina had no choice left but to devalue its currency and declare default on its debts. The government fell and in 2002 the "Currency board" was abandoned, so that the nation regained control over its monetary policy. It followed that inflation rose faster than ever before, but getting independence from the USA represented the first step in the right direction, to rebuild the whole country from the ground it had fallen to.

In 2003, Néstor Kirchner was elected as the new president, and despite a difficult situation the country was able to run out of the crisis, keeping the same economy and finance minister of the previous government to outline a continuity pattern to follow to rise up, not giving people false promises and stressing the effort towards social and requalifying themes. Minimum wages were risen and laws preventing eviction and facilitating payment of houses' mortgages were designed. Those measures allowed the new president to have approval among his citizens, but what was truly amazing for the well-being of the whole country was the outcome he came off with from his "war" with the International Monetary Fund: a great reduction of the national debt. The payment was postponed, so it gave to restructure the whole national debt's framework, which was financed by the release of national titles at a reduced nominal value of 76%. So by the time 2006 arrived, Argentina repaid the remaining debt in lonely transaction which marked the beginning of an economic resurgence, finding great approval both internally and on international markets (Setser & Gelpern, 2006).

2.1.2 What was going on in Uruguay at the time

Nowadays, looking at Uruguay it is hard to believe that it is the same country struggling to stay alive during the huge financial crisis that hit Argentina at the beginning of the new millennium. Uruguay had already experienced financial markets' volatility following the events that had characterized the Asian crisis, and so was the case for several countries, like Ecuador, Colombia, Honduras, Venezuela and Paraguay.

As a small country located in-between the two most important countries of the continent, Argentina and Brazil, Uruguay has always been affected from what was going in there, both from an economic and political perspective. In 2002, because of the direct resonance of the Argentinian crisis, Uruguay found itself on the edge of default. The country had already been dealing with three years of sluggish economic performance, which came over as a surprise since for most of the decade before the trend had been positive. Real per capita GDP had risen by 6 percentage points per year until 1998. Consumption delivered as one of the main drivers, widely helped by what was going on in Argentina and Brazil, and the Mercosur trade agreement. Nonetheless, Uruguay found itself unprepared to face the wind of change that came thereafter, because of its structural weaknesses that had not been fixed when there was the chance, then leaving the economy vulnerable to external shocks. The financial balance of the public sector had constantly stayed in deficit throughout the 1990s. Public debt had been almost completely denominated in US dollars as in Argentina's case, leaving Uruguay a hard time once Brazil suffered a strong depreciation of its currency years later. Especially short-terms deposits were denominated in American dollars, producing an off-balance in terms or currency's values. The effective exchange rate of the peso appreciated in real terms by 60% between 1990 and 1998, but such a real term upsurge was not met by wages, which did increase but only in dollar terms. Furthermore, the unemployment rate had not gone under the 10% threshold (OECD, 2014).

Therefore, because of its structural inefficiencies and economic size, Uruguay had always found itself living spillover effects generated by its neighbor economies' shocks, both positive and negative ones. Hence, when Argentina entered a strong recession season, Uruguay, whose long-term GDP growth had been partially driven by the economic development of Argentina and Brazil, found itself unprepared to challenge the changing trend (Lanzilotta, Llambì, & Mordecki, 2003). Because of the Argentinian financial crisis and the Brazilian currency devaluation of 1999, Uruguay saw its trading channels that had previously boosted the country economy hitting the wall and dropping in overall terms. Consequently, the internal demand decreased and so did real GDP per capita. In addition public sector deficit kept rising. The expected recovery did not materialize and a climate of increasing discourage from foreign investors, coupled with the weakening of the peso, brought to compulsive deposit withdrawals from the Uruguayan banking system which, as a result, experienced losses (OECD, 2014). In 2002, Uruguay entered in a nightmare scenario: with the ongoing Argentinian crisis, domestic exports payed the highest dividends, drastically falling and real term GDP hitting a slump, with an 11 points percentage cut. Uruguayan banks were unable to lend, and several private ones were victims of their exposition in Argentina.

By the end of July Uruguayan officials were seeking for a solution working with the US Treasury in Washington to avoid the spectrum of default, which would have represented "going back to the stone age" (Media Contact Resources, Inc, 2007). The most impending problem was represented by the consumers and investors' fear that Uruguayan banks were about to run out of dollars. Not to collapse, a loan of three milliards of dollars was asked to the International Monetary Fund. In agreement with the latter, the country had the chance to extend the debt yield to maturity to five years, leaving the nominal value of it unaffected. In the meantime, the government tried to re-establish some order in the accounting numbers, so a restricted policy was implemented, cutting off the debt from 100% of Pil to 66% in three years. Such a desperate rescue worked out and hit it off, giving Uruguay the chance to get back on international financial markets in only five months (Da Rold, 2011).

What helped Uruguay and separated it from Argentina, allowing a quicker and less harmful solution was primary represented by the size of the two countries' debt. Uruguay's bonded debt accounted for one-twentieth of Argentina's, which clearly meant a way smaller numbers of players and financial instruments' holders involved. Technical challenges facing such a debt turned out to be too difficult for Argentina to enhance a restructuring approach in the short-run (Setser & Gelpern, 2006).

2.1.3 The current situation of Uruguay

Nonetheless, both Argentina and Uruguay were able to survive to that catastrophe, and after the financial recovery began to stride, the following era has turned into the widest period of economic growth Uruguay has ever seen in ages. Targeted macroeconomic policies and favorable external circumstances smoothed the way for enhancements in several humans' well-being dimensions. Nowadays, the economic boom has hit some obstacles and actions will be needed to see such a progress keep going at that pace.

Institutions' reliability and a higher per capita income compared to other Latina America and OECD countries, let citizens trust governments for the positive changes that have occurred and not to panic when a strong reform agenda aimed at long term goals is set.

The real linkage and reason for a deeper analysis over the economic policies implemented in Uruguay, relies on the reported performances in terms of well-being, life satisfaction, environmental quality, perception of the quality of institutions and government. These accomplishments are better than what general income level would suggest. Of course, unemployment rate and the percentage of people living under the poverty threshold have declined after the financial crisis, so has life expectancy risen, but improvements in material living standard still have a wide margin. For instance, education needs to get better in order to help out a reduction of inequalities, especially relative to secondary schooling. Youngsters' opportunities to access to a good school still depend much on their families' socio-economic background and on regions where they live.

Another pivotal challenge that needs to be faced is represented by the limited provision of human capital and skills, so that economic growth keeps on being sustainable. Training workers would be crucial to increase their skills and create a more prepared workforce able to satisfy exports' high-skilled goods' demand and promote an on-job acquisition of skills. Furthermore, allowing a better access to financing for young students who want to take a risk and invest on themselves should be guaranteed, as start-ups and entrepreneurship opportunities need to be enhanced. Therefore, supports to a more centralized reliable funding institution would help to avoid the ongoing fragmentation of programs and funding.

Despite the several changes that have characterized the last 15 years of the country, Uruguay still has inequalities and ethical issues compared to some Western societies, as vulnerabilities for women and ethnic minorities, and regional differences between Montevideo and other departments persist. To ride the positive economic wave and the attention ex-president Mujica has generated worldwide, policies to fix the above mentioned issues and challenges are quintessential. A more effective tax system could represent a first step. Despite a major tax reform helped carrying the country out of the crisis that had hit it in early 2000s, creating the fiscal space necessary to finance social programs and cut off social inequalities, nowadays a slowdown to the economic boom that has characterized the recent era is underway. Options to cover the forecasted higher future expenditure needed to balance the situation are on display: rising tax revenues, even if they are already at a relatively high level, or operating on VAT, eliminating some exemptions to provide additional income (OECD, 2014).

Even if future challenges Uruguay has to face are so fascinating and challenging to deserve a deeper analysis, in this work, the focus is going to be shifted on what has allowed such an economic development and on the singular figure of the ex-president Mujica, whose world view and human-centralized approach marks a clear distance from his counterparts and a closeness to the happiness economy.

2.2 The influence José Mujica had on Uruguay during his presidency

The real credit for a changed worldwide perception and growing attention towards this little country in South America, has to be given to the ex-president Mujica, whose unique life and political career are going to be put under the spotlight.

Before his arrival, Uruguay had already been run by a president coming from the same coalition, "El frente Amplio", an alliance of different small parties of the lefty, whose leader, Tabaré Vazquez, came out on top from the 2004 national election. He defeated the two traditional parties that had previously alternated themselves at the head of the Republic (the "Whites" and the "Reds"). The lefty "turn" was a phenomenon hitting the whole region and Uruguay was no exception; it ended a cycle of center-right parties leading several countries in South America, featured by public policies typical of the neoliberal paradigm (Betancur & Busquets, 2019).

Because of a large majority in both the first Vazquez and Mujica's terms in office, the "Frente Amplio" had the chance to rule in accordance with its own agenda.

2.2.1 The figure of José Mujica

In 2010, a man who had already faced many challenges in his lifetime, coming out from years of jail, fighting in the urban guerrilla and politics within democratic institutions, was elected as the Uruguayan president. Basing his electoral long speeches on his desire of a society less unbiased with solid democratic basis.

Josè Alberto Mujica was prisoned and gun's shot when he was 36 years old, and forced to spend 14 years in jail, 9 of them isolated underground, after taking part to the Tupamaros rebellion, raiding the police barracks and bank of Pando, a city known for its pivotal help towards milters. Once he obtained his freedom, his country was finally living democracy and amnesty, which still did not prevent several crimes against humanity to happen. For that reason, the ex-dictator Gregorio Goyo Alvarez was later convicted and sentenced to 25 years in prison. Mujica did not lose time and kept on living an active political life, founding "el Movimiento de participacion popular". Thereafter he was elected as a senator of the Uruguayan Republic. During Tabaré Vazquez presidency (the first president not belonging to any of the two traditional parties in Uruguay: Blanco and Colorado), he was the minister of agriculture (Veronese, 2009). After such a role, in the winter of 2009, he came out on top from the election runoff between him and Luis Lacalle, the sixtynine years old candidate of the liberal party. Therefore, at the age of 74, he was about to rule the country with the lefty coalition, "el Frente Amplio", stressing the focus towards the social issues of the country and putting human beings at the center of his political project rather than capitalism. Nonetheless, understanding the importance of macro financial equilibrium Uruguay needed because of his small size (from whatever perspective), he gave the economics ministry to Danilo Astori, a man he trusted to keep on running the same path begun by Tabaré Vazquez, with a constant glance at whatever economic policy implemented by Argentina and Brazil, the main commercial partners of Uruguay.

What has truly characterized his figure and gathered attention during his presidency, was the tone of his public discussions, which was never filtered or formal, no matter which topic was being debated.

During his most famous speech to the United Nations General Assembly, reunited to discuss about "Sustainable development", the president of Uruguay urged the international community to take care of the planet and to strengthen efforts to preserve it for future generation. He claimed that the whole discussion about whether it was possible to bring out masses from poverty threshold had to start from the premise that, the market economy human beings have created, is indeed dictating the agenda. According to him, market economy gave life to a market society producing a globalization of the economies. Daring the audience, he wondered what would happen if Hindu had the same cars per family ratio of German and if there would be much oxygen left to breathe then. He questioned if societies were still ruling globalization, or the latter was the real force driving all processes. He then highlighted the contradiction going on in several political debates about solidarity with each other, a word he acknowledged having a powerful strength but deprived of its original meaning, since everyone was always talking about it when, though, at the end of the day, ruthless competition has been one of the main anchors modern economy has been based on. The climax of his dissertation led to a conclusion dealt with naming the real crisis going on worldwide a political crisis, not an ecological one. Thereafter, he ended his speech, focusing on the topic this thesis is trying to cover: what is the linkage between economy and happiness? What is the real ultimate goal individual have, once they come to this world? "We are all born trying to reach happiness, because life is short and it flows away, and no material good counts as much as life and this is elementary". "The nowadays society is all about running, it is a constant run towards working the more you can to increase consumption, because the latter is the real engine of the car: if it stops, the whole economy defaults and then the stagnation ghost materializes for all of us". He asserted that the force mugging the planet has been iper-consumption, whom all countries have been suffocated by. A vicious circle has taken place, where the market demands and humans are all forced to work the hardest they can to sustain such civilization based on usage and consumption. Therefore, according to him, the whole process needs to change; societies have to take back the reins of the game, ruling the market, reversing the mechanism. It is not about going back living in the caves or anything like that, but having a clear framework of what are the causes and the consequences harming the planet: the way Western societies live, is what has led to environment's damage. To solve it, the first step is revising the way societies live. During the famous speech at the UN, that has been analyzed, José also cited Greek philosophers, suggesting, "Who is really poor is not someone owing the little, but who is always willing and eager for something more, no matter what". Furthermore, he shifted the topic towards what he was planning to do in Uruguay, stressing life balance as one of the main variables to look at, when it comes to work, income, economic development. He was trying to reduce the working hours per day from 8 to 6, but not to let those workers then look for a second job to pay bills. Besides the several taunts and utopias the whole speech was about, the importance of living a life to reach satisfaction and happiness was the main challenge he threw to the assembly, finishing it off with the following words, before thanking everyone for the given opportunity to share his thought :"Is this the destiny of human life? Development cannot fly in the face of happiness; it should promote human happiness, love, human relations, relationships between parents and children, and friends. Life is the most important treasure we have and when we fight for the environment, the first element of the environment is human happiness. That is what is called. Thank you!" (United Nations, 2012)

His speech got a huge resonance all around the world because of its unconventionality compared to the way societies are run nowadays. Evidence of actions supported his words, as his wife and he never left the farm, where they had been living before his presidency, even during his mandate. He chose to devote a major part of his wage in charity and the only good he owned in 2010, when he was chosen to lead Uruguay, was his famous "Volkswagen Beetle", which he did not sell even when he was offered a million dollars for it because otherwise he would been able to carry his three-legged dog. In addition, after leaving his charge as Republic senator, he gave up his retirement benefits (TPI, Redazione, 2018). It is clear that the picture of this character is unique: a maverick figure whose life was fulfilled by tough experiences building up his nature in a difficult to imitate way. His revolutionary ideas and worldview put human beings' individual happiness at the center of his political goal, in a historical context still based on global fast-developing markets whose needs have to be answered not to lose grip with reality.

Last autumn, years after the end of his mandate as Uruguayan president, he came to Italy and had a public speech in Ravenna, during a convention where he was hosted. The topic of the meeting was "cooperation", which is one of the main themes he has always believed into. According to him, "cooperation" is the only path to follow to run out of the human crisis that Western societies have been increasingly suffering up to now: because of their nature, all individuals tend to join each other. He claims cooperation is the best model to follow not to end up being the ultimate victim of the growth without borders process going on nowadays, and to fight the wealth concentration. He sees cooperation as a pivotal mean to take care of workers and to prevent multinational companies from giving the input to each process no matter what. (Mastronicola, 2018)

Tolerance, freedom, social justice, equality and respect for the environment are the key words behind his figure. The real value he wants people to preserve is “Time”. Is it worth it giving up on individuals’ well-being in the name of multinational companies’ goals? During most of his famous public speeches, he highlighted how, to truly live a happy life, human beings have to be given the opportunity to express and discover themselves, going after their passions. His whole political view, and so his economic one, is about stressing the role of people as the one variable standing at the center of the stage. He acknowledges that nowadays-economic system gives people the chance to be richer, but he wonders whether the burden to carry to reach it is worth it, and if it indeed makes us happier.

Several features of his social and political view have been portrayed in the way he has always behaved: it is not by chance that he has been known as “the poorest president” in the world. When he was in charge as the Uruguayan president, he donated 90% of his wage to Raul Sendic fund, whose purpose is the development of the poorest areas of the country. He kept on the same trend even once he left the presidency, with the money coming from his senator’s retirement.

Because of the uniqueness of his figure compared to his counterpart politicians, giving some info about his life experiences is quintessential to have a better idea of his character. Therefore, it comes clear how distant his concept of happiness is from material richness. The strength of his words have had a direct impact on the way he has run Uruguay and how he dealt with all the economic policies implemented.

2.2.2 The social and economic policies of his government

The overall “Frente Amplio” government’s experience has been featured by a wide and important participation in the public decision-making joint by a great grade of transparency in its procedures and outcomes. It marked a new era in Uruguay’s history characterized by an average increase of income and safeguards for workers, a strong reformistic agenda of social policies and capital accumulation (Oyhantçabal, 2019).

Even if oppositions have let hear their voice, criticizing several policies related to what they considered a populist behavior. For instance: passing laws even when all other parties were against, only because of their absolute majority in both houses of the legislature; the predominant role given to social organizations and trade unions when it came to public policies; the increased public expenditure and social programs aimed at people living on the edge of poverty's threshold in the form of noncontributory benefits; last but not least they did not get along with José Mujica both because of his administration and his figure, whom they had always seen as a populist threat. Nonetheless, despite these critiques, oppositions never played dirty during the first two Frente Amplio governments, from 2005 to 2015 (Betancur & Busquets, 2019).

Frente Amplio's election win represented a pivotal change in the Uruguayan history, as a coalition representing all of the Marxist left and the reforming sectors, whose roots lay in the the social struggles times of the 1960s and 1970s, was voted to govern and to then adapt its strong working-class leadership for the new role, without denying it at all, though. In addition, the period was characterized by a huge economic boom in terms of gross domestic product, thanks to both a growing attractiveness of the country for foreign direct investments and high commodity prices. Such a scenario was pivotal to let a big part of the population run out of the poverty's threshold, to create job opportunities, to increase real wages and to build a better national framework of public services easier to access to. Frente Amplio conveyed the expression of a new distributive pact between social classes, which has been followed by economic policies that have also changed the value's distribution between labor and capital, giving place to opportunities for capital accumulation and improving wages (Oyhantçabal, 2019).

During Mujica's presidency, because of the challenging gospels and progressive nature of the character, Uruguay saw lots of stuff changing, even some social aspects so settled in the cultural background of the country. The main heritage his government left for Uruguay and caught international media attention is made of the following amendments: the legalization of abortion, consumption of marijuana and homosexual marriage.

Looking at the topics covered by the above-mentioned initiatives, it is safe to state how the importance of social rights and the purpose of giving a voice to minorities were the main drivers behind them. Nonetheless, during his presidency, economic variables played a major role as usual and, not surprisingly, poverty was reduced. Let's see why.

Looking at employability ratios, data show the success in this area, as unemployment dropped to 6.3% in 2011 and so did underemployment (7%) and informal employment (28%). They all decreased by 10 percentage points. Due to policies creating better job opportunities for the whole workforce, there was a 29-point reduction in terms of population living under the poverty threshold, dropping to 10.1%. Such a scenario, joint with a bigger public expenditure that led to easier access to public services, overall improved citizens' quality of life. A focus on poorest and least qualified parts of the working class was one of the main features of the government, with policies aimed at giving them opportunities and raising their income in real terms, not to forget regulation laws for the lowest paid private sectors. For the first time since 1990, the wage council was convoked and a recovery program for the loss of wages occurred during the financial crisis from 1999 to 2002 was set up. Furthermore, by 2016, national minimum wage was risen by 141 percent in real terms (Oyhantçabal, 2019).

Although the gross public sector was more than doubled in ten years, its relative proportion of GDP dropped due to the latter's growth. Such an increase in indebtedness was necessary to amortize past debt to International Monetary Fund and World Bank. The profile of it, changed it too, with debt in national currency exceeding the one in dollars. Both Vazquez and Mujica did not completely separated their political economy agenda from what was going in the last twenty years, trying to keep inflation under control and a flexible exchange rate. They kept fighting tax evasion and simplified tax system.

Mujica never forgot his agrarian origins and took care of the importance of raw materials and agro-industrial goods, consolidating its economy to the point that 70% of the exported good of the country were of agricultural or agro-industrial origin: beef, rice, soy and so on. China turned out being the main trading partner, given Uruguay political and economic stability.

The true care for the environment has been one of the main aspects he has always tried to assert and cover when implementing policies, as a matter of fact once a European lands in Uruguay he will be surely able to see the several wind turbines' shovels covering the green landscape of the country. Investing on renewable energy sources has been one of the main successes, as nowadays Uruguay covers 30% of its energetic requirements through them. The country has become an energy sources exporter, as it sells electricity to its neighbor, Brazil, which has 200 million people more than Uruguay.

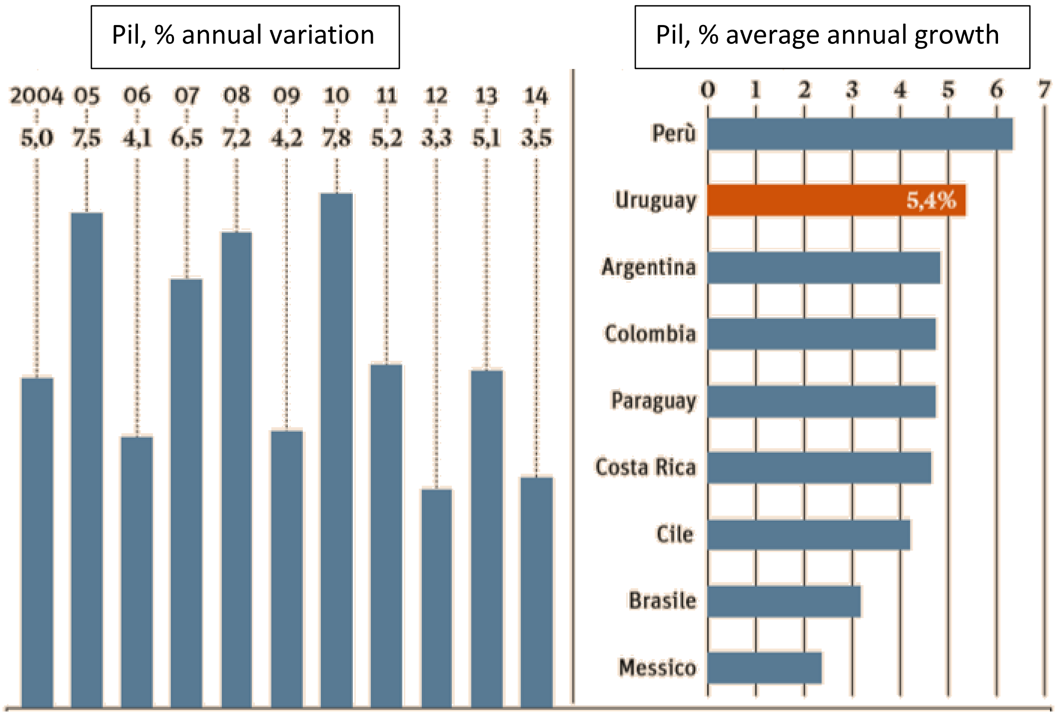
Under his 5 years of presidency, Uruguay has been characterized by a marvelous economic transformation, as Mujica is happy to assess once he answer the several questions raised on what his country has achieved, while travelling around the world, now that his political career has come to an end. Social justice and reducing the percentage of those people living under the poverty threshold are just two of the objectives reached. In the early 2000s 39% of the Uruguayan lived under that threshold, while after his presidency the percentage has dropped to 11%. The same trend has been followed by what is considered extreme poverty, from 5% to 0.5%. Another pivotal achievement concerns the percentage of Pil accounted for investments, which has almost doubled up during the 5 year Mujica has run the government, passing from 13% to 25%.

He challenged some common view coming from the cultural heritage of the country, legalizing abortion, which is a difficult right to have in Latin America, as only Cuba and Mexico had by the time Mujica's government enacted the law, and the sale of marijuana, which is something even European countries have barely adopted yet. Mujica explains why the law was approved, sustaining that traditional methods had not hit it off when it came to fighting drugs consumption, because. According to him, all the shadow economy coming from the drugs smuggling business is a bigger disease for Uruguay than marijuana consumption, so he is against a prohibitionist view. (TPI, Redazione, 2014)

Thanks to the character of the president and his revolutionary initiatives, the international attention has been caught and polarized towards Uruguay as it had never happened before.

Nowadays, multinational enterprises see the country as the perfect platform to arrive at when they want to begin having economic linkages with the continent. The same happens to foreign investors, who consider Uruguay as a great territory to "land to" because of its capacity to surge as a first step towards penetrating the whole region, given its constant improvement on the major welfare, economic and social indicators during the last decade. Foreign direct investments have been one of the main driver during this flourishing economic period, as between 2005 and 2016 22.1 billion of US$ were accumulated. More than half of it was a capital contribution, unraveling the significance of surplus value accumulated outside of Uruguay (Oyhantçabal, 2019).

One of the reasons of this attractiveness, relies on the great political stability that has characterized the country recently, as for the third straight time the lefty coalition has been able to win the national election and no putsch or civic violence have been reported, given the constant economic growth even during the international crisis of 2008.



Graph 2.1: "Pil % variation in Uruguay from 2004 to 2014"; source: Central Bank of Uruguay and International Monetary Fund (Da Rin, 2015)

Furthermore, an ongoing low inflation trend joint by a particular regulation of the free zones, ports and airports allows the implementation of several activities. The same argument can be done for industrial parks, which are areas characterizing the country and giving it the chance to improve economic development thanks to the generated economies of scale and the reduced costs for those firms willing to share expenses for those necessary services aimed at the improvement of multiple industrial activities. As a "picture" of the positive framework that we have been highlighting there is the ranking about the quality of life in Latin Americas' capitals: Montevideo led it in 2015, followed by Buenos Aires and Santiago.

The challenging goal for Tabaré Vasquez, who succeeded Mujica and his government, is to keep on the traced path: let a realistic and orthodox political economy coexists with other progressive reforms and humans' solidarity-based initiatives to let everyone feel involved and voiced. The latter part was one of the main forces of Mujica, whose leadership by example is hard to replicate because of the singular features of the ex-president.

On the international trade market, the real target is about intensifying and amplifying the possibilities given by the Mercosur deal[8], creating a convergent attitude among all partners towards a wider commercial openness. At the same time, another pivotal element to further enhance the country's growth and worldwide reputation as an affordable commercial partner, Vazquez wants to build on the relationship with the Asia-Pacific area.

Mujica has to be given lot of credit for the attention he has been able to gather from international authorities towards the little country he has led for five years, because of his lifestyle so uncommon compared to others, starting with the decision to cut off 90% of his wage as the Uruguayan president. Similar actions, joint by several speeches in plenty of international meetings have caught the eyes of other countries, giving Uruguay both the chance to be more internationally considered and the burden to be highly controlled, which was an unpredicted scenario only fifteen years ago.

Cristina Guarnieri, taking care of writing the book about the life and the political career of "Pepe", explains the uniqueness underlying the success of the character: the main strength of his political message lays in what he has been able to carry out: a sober life model to reach a better individual quality of life, challenging the ongoing "the more you get, the more you want" trends. A sobriety concept not made of privation, like austerity, but giving the footprint to a human-centered society (Da Rin, 2015)

[8] Mercosur, "the Southern common markets", is a regional organization promoting a common space to help out member states having mutual trade advantages and investment opportunities because of a competitive integration of national economies in an international scale. It was established in 1991. It has made several agreements about economic, but also political, cooperation with other international, regional or single countries' organizations since it was established. Though, the preferred commercial trade channel has to be with member states, which at the beginning were only Brazil, Argentina, Uruguay and Paraguay, but they were joined by Venezuela and Bolivia (MERCOSUR, 2018).

2.2.3 How things have changed after Mujica's presidency

By the time Mujica's presidency was over, several things had already begun changing in the macro-area of Latin America.

While Brazil and Argentina were again having internal turmoil, on the internal side, Uruguay had a continuity in the ideas run by the new government, as "el Frente Amplio" won the election again, with Tabaré Vazquez succeeding Mujica, regaining the role he had already covered from 2004 to 2009. There were some elements highlighting a wind of change, though, with a partial slowdown to the several progressive reforms done by the previous government, with the fiscal reform standing as a clear example. Such a slump after the long progressive period that had characterized the whole region during the last ten years, detected a partial comeback to some political economies that had always drawn up the neoliberal line of thought.

Looking at the trend from a regional macroeconomic perspective, focusing on the powerhouses, the ongoing phenomenon presents some similarities.

Basing the analysis on what has happened recently, Uruguay seems to have the closest connection with Brazil. Despite of that, while Brazil experienced strong influences of heterodox economy, the same cannot be said for Uruguay, neither today nor before. Actually, economy and finance's ministers were usually representatives of a more orthodox ideology, leaving the progressive spirit and massive reformistic ideology of the lefty coalition ruling the country on other areas. Giving evidence of such a singular phenomenon, there stands the figure of Danilo Astori, the man Mujica gave the head of vice-presidency during his governance, after he had defeated him during the primary election in 2009. It was a challenging movement, that emphasized how Mujica knew that his progressive spirit had to get along with a more rational side of his party in order to hit it off and help out the country to grow. Astori had already taken office of the economy and finance department before, (from 2005 to 2008). In 2015, after Tabaré Vazquez won the election, his name was credited to lead the economic department again.

Astori has always expressed his skepticism towards a fiscal expansion, underlying instead, the importance of keeping under control both the external and internal macroeconomic equilibrium. His strict positions have led to several discussion with the more progressive area of his party, "El Frente Amplio". Nonetheless, everyone has given him credit for what his tax reform has been able to produce throughout the years, allowing Uruguay to pass from a Gini coefficient[9] of 0,46 in 2006, to 0,38 in 2016. A result that cannot be underestimated and allows Uruguay to stand as the most egalitarian country of South America (which is still not a standout success, since its data are comparable to those of the least egalitarian countries of Europe).

One of the major outcomes, Astori has achieved during his political career, is the above-mentioned fiscal reform of 2006, during the first government led by Vazquez. Aiming at getting closer to a European like fiscal structure, Astori put forward a tax reform that completely changed the composition of the national tax revenues. He reintroduced the personal taxes enforcing a progressive fees' system, reduced the VAT rate and set up a revenues' taxation scheme for enterprises. It represented a quintessential step towards social equality for Uruguay, as the ratio between the richest and poorest decile of the country dropped from 19 to 12 times. By the way, time has passed and another tax reform may need to be done not to let Uruguay sleeps on the forecasted higher future expenditure to leave the country ride the economic positive wave.

2.2.4 Mujica and the "Happiness economy"

It is clear that the heritage coming from the ex-president José Mujica is not measurable in terms of numbers, even if they surely support the overall analysis, giving evidence of some improvements Uruguay has experienced during his term of government. The most important part though, is represented by the uniqueness of the themes covered in the several public speeches he held, not only in the most famous in Rio, during the United Nations' summit over the worldwide climate changes in 2012. He openly challenged the main capitalist assets, embracing some paradigms that got popular in the heterodox economy. According to him, it would be impossible to keep on track with the relentless worldwide economic growth first-world countries demand, given the scarcity of natural resources the planet has to offer. He therefore promoted a sober lifestyle, whom he embraced, leading by example. He firmly believes environmental catastrophes are about

[9] The Gini coefficient is a statistical measure used to rank economic inequality in a country or region, measuring the way income is distributed among people. It values it from 0 to 1, with the latter representing the perfect inequality. So, the lower the Gini coefficient, the better income is distributed.

to happen in the long-run, and would be hard to prevent if any country tried to replicate the life standard Western powerhouses attempt to guarantee.

His view has been clearly influenced by the Easterlin paradox and the French economist, Serge Latouche[10], whose idea on how to solve the western societies' life styles' unsustainability is based on a more sober approach to economies, leaving them being the more self-reliable they can. Another prerogative that has always characterized Mujica's thought lays in the worldwide view of attributing to economic indicators the pivotal role when it comes to quality of life's evaluation. According to him, looking mainly at PIL per capita and other macroeconomic indexes come at expense of all the subjective perceived factors that drive individual insight of how to rank their life satisfaction at any given moment in time. The third pillar he has always believed into, comes from the idea that economic development must never go against individuals' happiness. The theme of "happiness economy" has a peculiar place in his soul. Trusting the model's axioms, he has taken into account the non-linear relation between income per capita and individual happiness in his politics, emphasizing a sustainable growth model and a resources' reallocation not to harm the planet and leave human beings as counterparts of the economic development Western societies have been deeply trying to chase (Lampa, 2017).

[10] Serge latouche is a French economist and philosopher whose line of thought has given birth to the "degrowth" theory. In his first-ever English book he explains his theory as an "active abandonment" from the exponential growth models looking for alternative development and trying to give an alternative key evaluation about what truly matters through a reconceptualization framework (Kallis, 2011).

CHAPTER 3: FROM ASSESSING WELL-BEING IN URUGUAY, TO DEALING WITH ONGOING ECONOMIC AND SOCIAL TRENDS TO PURSUE LIFE SATISFACTION

3.1 Well-being in Uruguay

When it comes to individuals' life satisfaction and reported happiness, Uruguay has ranked higher than expected. The trend has been going on for years, so it deserves a deeper analysis.

The more realistic impact economic drivers have on change in individuals' well-being comes from what kind of development they lead to, since in its broadest terms the latter does covers several parameters other than income, that directly affect citizens' quality of life, such as environmental quality, health system and its public access, education, public services' delivery and so on.

3.1.1 Economic history of Uruguay

To better understand the situation of the country, let's have a look at its economic history. Over the course of the last 140 years, Uruguay experienced different economic scenarios, running through economic booms, crisis and following recoveries. Such a volatility had mainly resulted from changes in terms of trade and international capital market access through the different periods. The size of the country's economy and its unreliability in terms of domestic macroeconomic policy framework and financial stability, amplified the effect external shocks had on Uruguay.

In the late nineteenth century Uruguay had a GDP per capita way higher than in Chile (70%), Spain (63%) and Italy (53%), and just 10% below the United States (OECD, 2014). Even at that time, such a positive trend was driven by the country's main exports (beef and wool) that were supported by an easy access to international markets allowing a wider production of those goods where the comparative advantage was conspicuous. Thanks to upgrades in terms of cooling technologies and international shipping transports, Uruguay was able to rise its internal supply, which turned out to be pivotal given the increasing external demand of the period. Moreover, the surplus set up by the export market had the additional benefit of being used to finance the development of manufacturing and services (Beatty, 2003).

Thereafter, in the first half of the twentieth century, the whole global economy was influenced by the dynamic of the two World wars, whose impact on international trades and commodity prices led to a meaningful volatility in terms of domestic growth, industrial and social development. Nonetheless, Uruguay's income per capita was still higher than in many OECD countries (it was still 36% higher than in Italy and twice that of Spain). Even though it had dropped by a wide margin compared to the United States, it still marked a great welfare scenario overall (Beatty, 2003). Furthermore, the several social reforms implemented in the same period helped increasing individuals' life satisfaction because of the relatively comprehensive social protection system. The all-embracing pension framework initially settled for military and public servants during the nineteenth century, progressively broadened its coverage, including the whole workforce system, disability insurance and survivor benefits by the mid-1950s. By the 1960s, thanks to the addition of a mandatory unemployment insurance scheme for the private sector, Uruguay reached a welfare level similar to the OECD countries.

Problems arose in the second half of the century, where an erratic economic growth characterized the development of the country, with domestic GDP per capita growing at an annual slower pace than OECD economies (1,8% compared to 2,5%). Therefore, because of the size of the country and its principle trade partners' trends, Uruguay followed Argentina's growth performance and ended up having a sluggish and erratic economic pattern over that period (Marichal Salinas, 2012)

What caused such an economic bias was the combination of internal flaws and the inability to deal with the indirect consequences coming from neighbor economic powerhouses' macroeconomic shocks. Financial issues originated from excessive leverage and risk-taking attitude by financial institutions, without restoring a public sector balance magnified the force of external circumstances. Such a phenomenon was also indicated by the coefficient of variation (the ratio between the standard deviation and the mean of GDP per capita growth) of Uruguay during these fifty years span: it almost doubled that of OECD countries (Mendoza & Terrones, 2012).

	Average GDP per capita growth rate %	Standard deviation annual GDP per capita growth rate %
Selected OECD economies		
Australia	2.0	1.8
Finland	2.8	2.3
Ireland	3.3	2.0
Italy	2.6	3.0
Mexico	0.9	3.0
New Zealand	1.3	2.7
Spain	2.9	2.9
United States	2.1	2.2
Selected LAC economies		
Argentina	1.6	5.3
Brazil	2.7	3.9
Chile	2.6	5.0
Venezuela	0.4	5.2
Uruguay	1.8	4.2

Table 3.1: “Comparative GDP per capita growth performance (1961-2011)”;

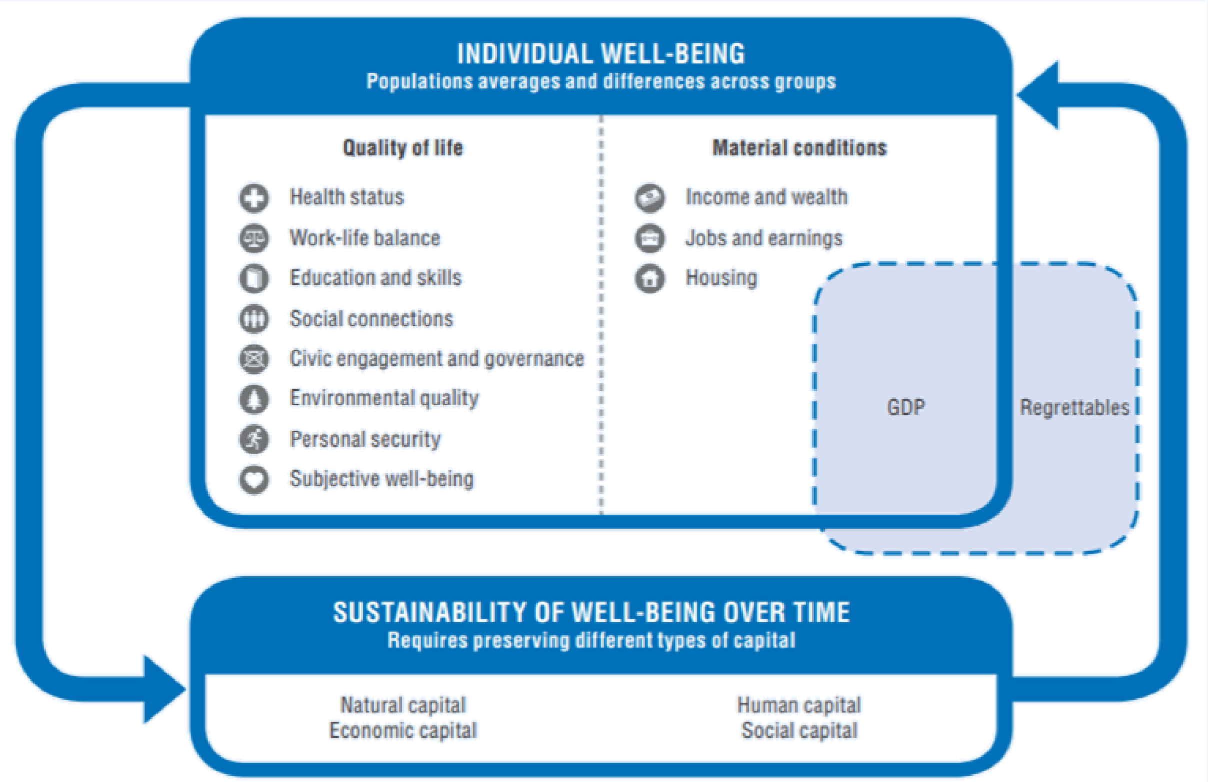
Source: Elaborated based on Penn World Tables (OECD, 2014)

As it has already been highlighted before, by the time new millennium had just begun, Uruguay faced a huge financial crisis largely amplified by the Argentinian one. Once it had been overcome, the country entered into the longest period of economic growth in decades, thanks to favorable external scenarios and targeted macroeconomic policies, socially oriented.

Several new challenges have come out and need to be faced not to run out of the positive pattern that had been undertaken in the past decade. As economic growth is slowing down, Uruguay needs to rely on its internal strengths and opportunities to keep improving individuals’ quality of life to secure a sustainable growth in the medium-long term. The stability of institutions, the high level of trust citizens have addressed towards the government, and the low level of corruption, are key elements to build on a strong reform agenda for Uruguay, given its comparative advantage relative to Latin America and multiple OECD economies in terms of institutional capital. Positive economic trends have bolstered social indicators and well-being after the financial crisis of the early 2000, but nowadays, there are less favorable external conditions. Therefore, an assessment of the current macroeconomic policy framework and financial regulations in terms of their appropriateness and adaptability is demanded to keep on reducing income inequalities and cut off the percentage of people living under the poverty threshold.

3.1.2 The "How's life?" framework

As it has been discussed in Chapter one, monetary variables only play a partial role in determining the reported happiness of an individual, and so income does on an aggregate level when it comes to measuring the welfare of a certain nation. Nonetheless, GDP remains a clear indicator to look at when dealing with a country's living conditions, since a hypothetical growth does produce an improvement of them. Still, the GDP does not consider a great deal of parameters that are pivotal to establish the national welfare degree welfare, such as income distribution within a population, level of pollution and access to the health system, institutions' reliability, within-society's interactions, value of non-market service as childcare and parenting, public transports' delivery and others. All those elements are quintessential to back up individuals' happiness and life satisfaction. Therefore, with the help of international institutions and several different nations' executive members, OECD set up the "How's Life?" framework, that outlines the 11 dimensions that are more meaningful for individual well-being. Even if it was initially only thought for developed countries, its criteria turn out to be universally effective.



The 11 dimensions are divided in two main areas. On one side, there are those elements that are directly connected with the quality of life of a citizen: health status, work-life balance, education and skills, social connections, civic engagement and governance, environmental quality, personal security and subjective well-being. On the other side there is the material conditions' dimension, whose outcome is determined by: income and wealth, jobs and earnings, housing.

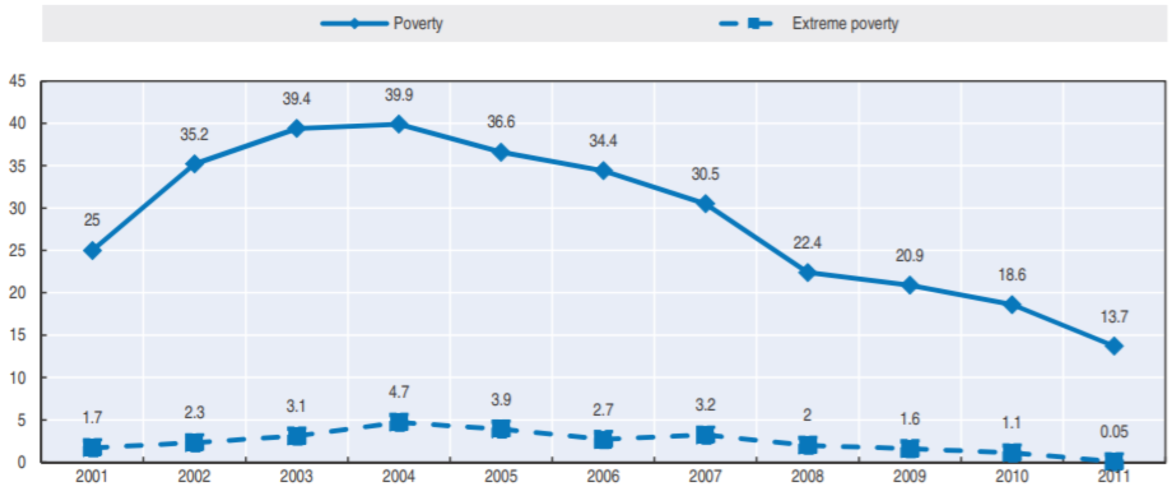
Each component has a different relative weight for different countries. For instance, the work-life balance ratio has a worthwhile importance for rich countries, but does not affect those where economic development has not reached a certain level, unless its intrinsic meaning is not broadened to other extents.

Another purpose of this framework relies on assessing whether a certain well-being is sustainable over time, whose outcome is valued in terms of natural, economic, social and human capital stocks' preservation.

The frame has proven to be helpful to set criteria to evaluate something so subjective as individuals' reported well-being in a more analytical way. It is trustworthy because it groups data on an individual basis rather than an aggregate economic one. Furthermore, it highlights outcomes more than inputs (given the non-directly related relationship that characterizes many of the considered dimensions, as it is case of health, whom none government's measure can fully control, but only influence). Thirdly, it provides a great relevance to the distributions of well-being outcomes to pinpoint inequalities, which is notable when economic and social policies do produce positive outcomes on a national level, but, in the meantime, also generate worse conditions and deprivation for some people. In addition, this instrument takes on board both subjective and objective features, so that, its results come out from people's personal ratings to their lives and those objective conditions characterizing the scenario where they live (OECD, 2011).

3.1.3 "How's life?" in Uruguay, a look at the singular dimensions

As it has previously been analyzed, between the end of the 1990s and the beginning of the new millennium, Uruguay went through a tough financial crisis that reflected in a worsening of living condition for the majority of the population. Thanks to a strong recovery, backed up by an external favorable scenario, the country entered a flourishing era and poverty rates reversed[11]. As the graph illustrates, both the poverty and extreme poverty ratios peaked in the early 2000s. By 2004, four out of 10 Uruguayans were living below the poverty line and almost one out of 20 was even under the extreme poverty threshold. Less than 10 years later, the situation completely changed, with a huge drop off in both ratios, testifying the economic growth the country had experienced.



Graph 3.1: "Poverty and extreme poverty rates in Uruguay (2001-2011)";

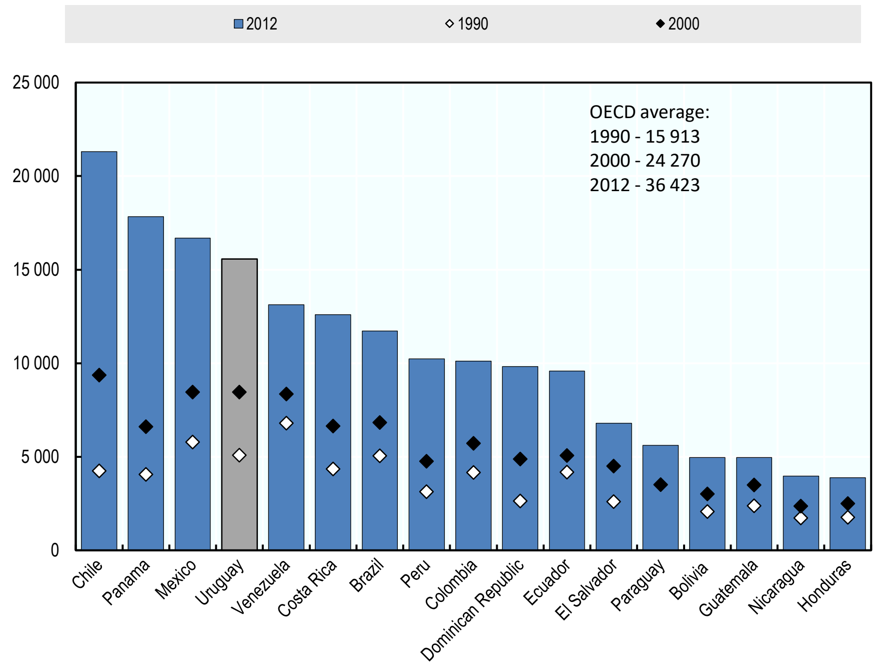
Source: INE (National Institute Statistics), 2013

Alongside with this positive trends, all the three OECD dimensions contributing to determine a nation's "material conditions' level" (Income and Wealth, Jobs and Earnings, Housing) have followed the same pattern. As the GNI[12] per capita discloses, income has risen so much, triplicating its value in PPP terms over the last 20 years, so that it has reached one of the highest level for South America.

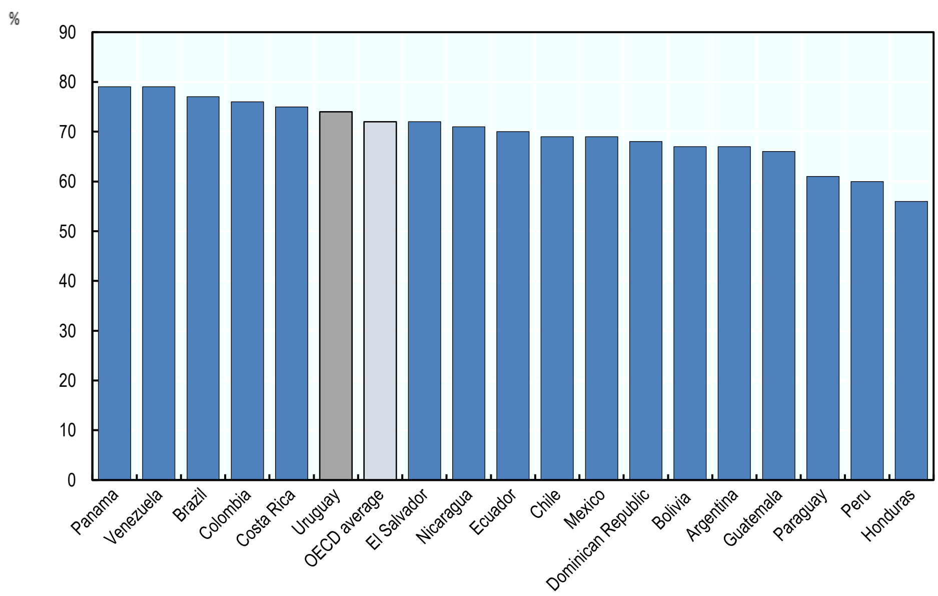
[11] Poverty rates have been calculated according to the 2006 Poverty Line and 2006 Extreme Poverty Line methodology developed by Uruguayan National Statistical Institute (INE), based on the Basic Food Basket and Basic non-Food Basket price indices defined in the National Survey of Household Expenditure 2005-06 (OECD, 2014)

[12] The Gross National Income is the total income earned by domestic entities from all sources, domestic and foreign and is given by the sum of gross domestic product and net factor income from abroad.
GNI = GDP + NFIA.
With GDP = C (consumption) + I (investment) + G (public expenditure) + X (exports) - M (imports);
and NFIA standing as the difference between factor income received from abroad and paid abroad.
Despite the superiority of GNDI (gross national disposable income) as an indicator of living standards because of its inclusion of both income and unilateral transfers, given the lack of data GNI was chosen to analyze the Uruguayan income-linked trends (Cappelli & Vaggi, 2016).

GNI per capita, PPP (current international $)



Satisfaction with standard of living

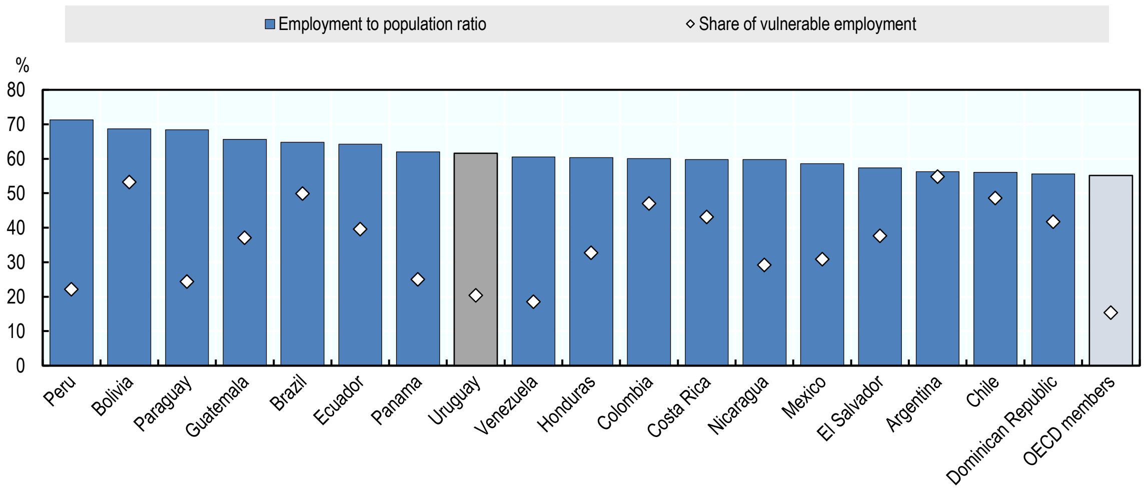


Graph 3.2: “Income levels and satisfaction with standard of living in Uruguay”;

Source: World Bank (2013), World Development Indicators (database) (OECD, 2014)

As the two graphs show, by 2012, during Mujica's government only three countries ranked better than Uruguay in terms PPP GNI[13]. Nonetheless, as it would have been easy to state, the countries' economic scenarios have only been partially matched by individuals' responses about satisfaction with standard of living. By 2012, 74% of the Uruguayans considered themselves happy about their living standards[14].

Another crucial aspect that directly affects well-being is represented by employability's opportunities, as working has proven to be vital for both physical and mental health (Wilson & Walker, 1993). Unemployment has drop from an after-crisis level of 17% in 2002, to 6% ten years later, but a large part of the population is still so disheartened not to actually look for a job, so it is hard to measure the country's real quality of access to work. Compared to other Latin America's countries, the labor force participation stands at 62%, which is only the average ratio for the region, with some poorer countries recording far ahead, as the graph below shows.



Graph 3.3: "Employment ratio and share of vulnerable employment in Uruguay";

Source: UIS, UNESCO Institute for Statistics (2013), UIS Data Centre (OECD, 2014)

[13] The PPP GNI uses the purchasing power parity as a criterion to classify different countries. It converts income in international dollars, so that the latter has the same purchasing power over GNI as a US dollar has in the United States.

[14] Data were gathered between 2011 and 2012 for the Latin America region and the satisfaction with living standards' outcomes came from the way interviewed answered to the question: "Are you satisfied or dissatisfied with your standard of living and with all the things you can buy and do?" (OECD, 2014)

Nonethelss, Uruguay has a higher employment ratio (62%) than average OECD countries (55%).

What is more remarkable about the employability opportunities concerns the low number of "vulnerable employment", those featured by low earnings and precariousness, attesting the good quality of the average availability of jobs. Even if the standards are better in this category for OECD members, still Uruguay has made giants steps in the right direction, despite an existing large discrepancies by sex and age that needs to be challenged to bolster living conditions.

Another key area concerning the quality of material conditions is housing, in the terms of having houses guaranteeing access to adequate sanitation facilities such as flushing toilets or covered latrines, and affordability for the average population. In this field, Uruguay has experienced opposite situations, placing itself ahead of average OECD countries when it comes to households' hygiene facilities, while turning out unable to drop off the cost of housing. Therefore a low average home ownership persists, forcing youngsters to increase their share of income to spend on renting and mortgage. The trend does not regards the whole population though, as Uruguayans belonging to highest income quartiles register a high home-ownership ratio. This gives evidence of a large inequality in this area, as low-income groups recording an extremely modest home-ownership rate drive the overall bad trend. The government has carried out a social care encouraging attitude to cope with this issue, as since 2011 social housing programs have been implemented to help the more suffering part of the population, providing tax relief to homeowner and fiscal benefits for new houses' purchases.

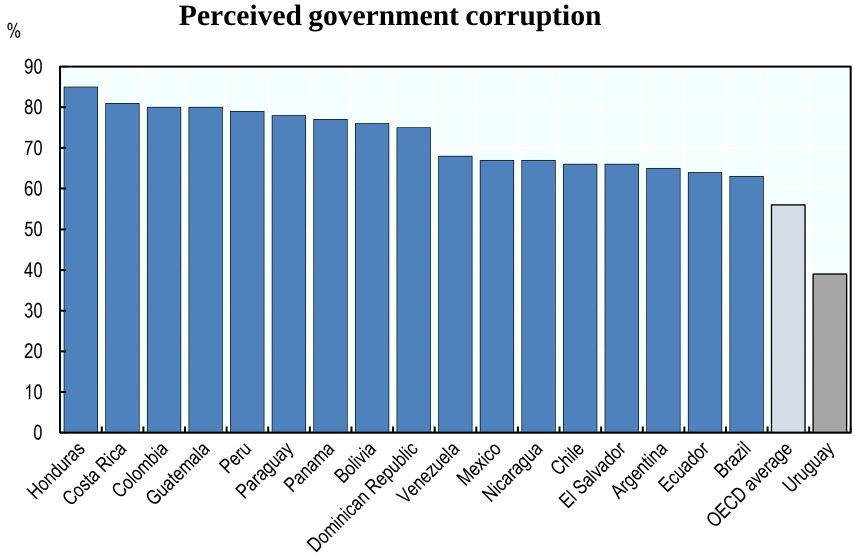
As it has been previously illustrated, the OECD "How's life?" framework is made of two main areas, so it is important to have a deeper look at the dimensions that directly affect the "Quality of Life" to have clearer portrait of the overall individual well-being in Uruguay.

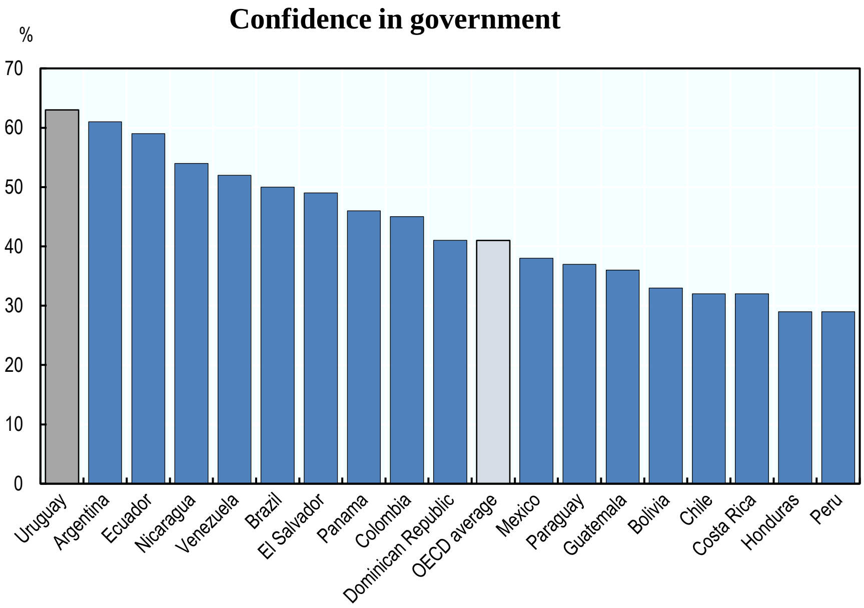
Education is one of the most relevant dimensions to have a positive impact on people's living conditions, from its intrinsic value to self-estimation, mental openness, civic awareness and material opportunities like certain working careers. Uruguayan is at the forefront in terms of access to primary and pre-primary education, while it struggles at secondary school graduation rate, with several youngsters not going to school at all, or leaving it earlier than expected. To tackle such a trend, recent governments have risen public expenditure on education, still not reaching the OECD average, though.

Talking about health, lifestyle and life expectancy, the country has experienced good results overall, despite some blackspots like rising drugs' consumption and criminality around it. To sort out the problem the government adopted a singular strategy, legalizing marijuana as a fighting initiative to damage the hidden economy moved by the drug cartel activity in the region. Future will tell the outcome provided by such a policy.

Reforms in the health system have improved an area where things were already going well compared to the region, as private workers have been given the opportunity to choose a public health care, something they were not allowed before 2008' unification of the health system. Those kind of inputs, together with the wider insurance's opportunities that have been recently given to all citizens, so that they can go either public or private, are fundamental elements to create a good quality of life perception and build a trust relationship between Institution and people. As a result, social connection between the folks is strong and so is the perceived quality of government. The latter is a strong index of the way state institutions operate because it implies people's perception about government integrity and efficacy. The more faith citizens have towards a government, the more its policies are going to receive initial support. During last three terms of governments, Uruguay has experienced it and has built on it a strong reformistic agenda that would have not been easy to implement otherwise.

Perceived government corruption





Graph 3.4: "Perceived corruption and confidence in Uruguayan government by 2012";

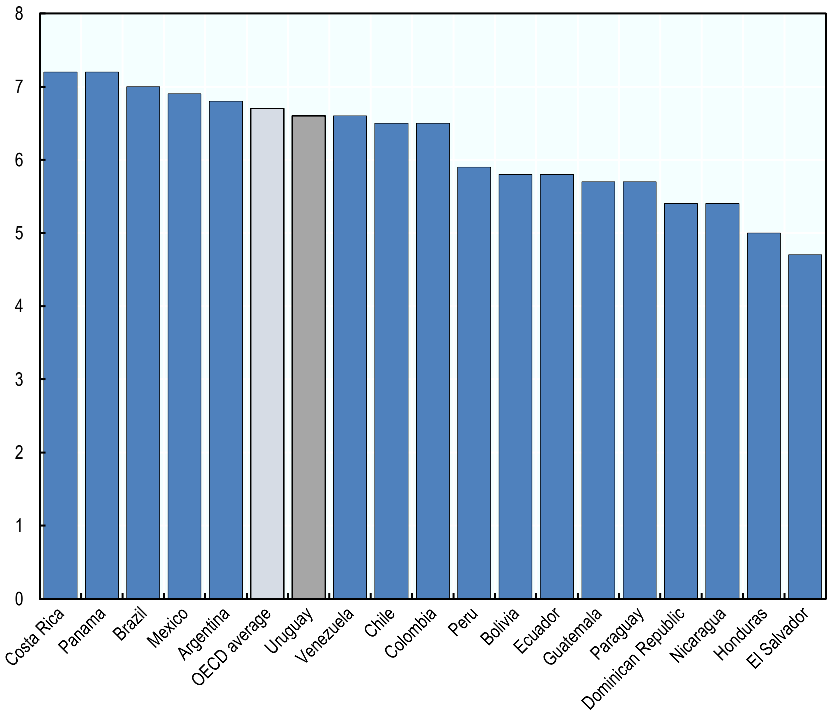
Source: Gallup Organization, 2013, Gallup World monitor database (OECD, 2014)

As the graphs above highlight, during Mujica's term of government, Uruguayans had a remarkably low perceived level of governments' corruption (40%), standing far ahead of all other Latin America's countries and average OECD economies (56%). Such a positive trend went alongside with the overall confidence citizens had towards national government, leaving space to operate in the mid-long term horizons to bolster other well-being dimensions through targeted policies.

Another area where Uruguay had a boost lately concerns the environmental quality, which is pivotal to hold all other well-being spheres together, affecting them all. Researches have disclosed that there is a positive correlation between subjective well-being and environmental conditions (Silva & Brown, 2013). Therefore, the outstanding results Uruguay record in this dimension, with the highest regional level of satisfaction in terms of air pollution and water, constitute a pillar to defend and build on. The particular focus the ex-president Mujica had on this topic was remarkable and universally recognized, as he repeatedly stressed the sustainable development's concept during his institutional speeches.

3.1.4 The overall subjective well-being in Uruguay

As its singular dimensions' analysis has anticipated, Uruguay has overall improved its citizens' general subjective well-being. This outcome is as relevant as any measurable economic achievement, because the ultimate goal of people is to feel satisfied about the way they are running their lives. Despite the objective bottlenecks in gathering data and setting effective surveys to evaluate life satisfaction and reported happiness, trustworthy methods have been found. One of them (as explained in Chapter 1), is the Cantril Ladder method, which asks interview to put their life in perspective and suppose that standing at the top of the ladder means living their dream life (score 10), while staying at the bottom living a nightmare kind of life (score 0). According to this method, Uruguay registers a mean score of 6.6, which is above the average of the region and really closing the gap with OECD members.



Graph 3.5: "South America's Life Satisfaction Index per country";

Source: Gallup Organization, 2013, Gallup World monitor database (OECD, 2014)

Moving on from financial crisis and experiencing the most prosper period of the last century has surely bolstered individuals' perception of the quality of their lives. However, evidenced by the purpose of this entire work, economic data and ratios only partially influence subjective well-being outcomes, which register a better score than what Uruguay's income per capita would suggest. The main strengths and drivers to this result lay in the good institutional climate and faith citizens have towards the government, together with good environmental quality, health system and sanitation's access, social trust, constantly improving employability, and relative discrepancy in term of gender equity compared to the region.

Nonetheless, there are several challenges Uruguay has to face in order to reduce inequalities if it wants to keep on flowing the positive period that has boosted the overall internal picture both economically and socially. Even if current income disparities are not that relevant in the country compared to regional data, the situation has to be closely monitored during this current development path that is moving Uruguay from a middle-income to an high-income nation, to prevent it from rising. Nowadays, the population has different access' possibilities to education and employability's opportunities, and those different could become an issue, as deprivation tends to hit lower socio-economic groups, people living in certain geographical areas far from Montevideo and some ethnic minorities. Furthermore, youth meets relevant hurdles when it comes to social mobility, as it is difficult to access high standard education to reach thereafter better job opportunities. Unemployment still hits young people and so do other threats like, drugs' abuse, adolescent pregnancy and a weak perceived security.

To solidify and improve its population subjective well-being, Uruguay will have to maintain and enhance its current human capital, focusing on it weaknesses and looking at coming opportunities, shaping its institutional and economical frameworks in human-centered way, not to leave anyone behind. Reducing inequalities, strengthening equity, labour market's access and upgrading the educational system should be done right away to grant a long-term sustainable development.

3.2 The importance of happiness when evaluating social progress

The Uruguayan case is a clear example of the famous sentence "money cannot buy happiness". Despite moving on from tough economic periods of recession and entering a flourishing growth era, the country has still not definitely crossed the line for what concerns the shift from a middle to a high-income State. Nonetheless, several well-being parameters suggest that on average people feel more satisfied with their life than many OECD countries' population, leaving a clear hint that economic wealth surely helps but plays less of a role of what had been attributed for ages when it comes to affecting individuals' life satisfaction. A supporting evidence to this statement also comes from the American example. Even if the United States have become a richer country after World War 2, its citizens' do not feel happier than before, they actually even feel less satisfied, as it has been shown in Chapter 1. Despite an overall improvement of living conditions in terms of access to sanitation, services, food, a smaller physical burden to carry to live, none has translated into subjective upgrade of life appreciation, as other trends have offset the hypothetical benefits coming from households' greater purchasing power. The most relevant ones have been the increasing working hours' burden preventing people from having free time to spend with their families, the rising turnover at work with subsequent possibilities to get fired and other tendencies affecting personal spheres (less marriages and more divorces) (Leonhardt, 2001).

Those kind of evidences suggest that happiness should not be left to the free market as some had believed in the past.

Several international institutions have begun speaking in terms of quality of growth, and so have some leaders. Happiness has increasingly become one of the main benchmark to evaluate the outcome of a social or economic policy through the effect it had on it. Lately In June 2016, the OECD engaged itself assuring that a redefinition of the growth narrative was necessary, placing human beings at the center of all macroeconomic processes run by national governments, assessing that there would be no purpose in economically without stressing and holding the quality of such a process. Last year, the head of the UN Development Program (UNDP) had a word about it, too: "Paying more attention to happiness should be part of our efforts to achieve both human and sustainable development" she said (Helliwell, Layard, & Sachs, WORLD HAPPINESS Overview, 2017).

3.2.1 The long-run effects of circumstances in life evaluation

As it has been stated and deeply discussed in Chapter 1, when implementing macroeconomic policies, governments need to have a special regard towards the possible implications they may end up having in terms of people's life satisfaction. Despite the objective complexity to gather data, to establish an effective surveys' methodology and to circumscribe those psychological elements contributing to alter the answers of those interviewed, economists have individualized six variables to account for international differences in average life evaluations: GDP per capita, healthy life expectancy, social support, freedom to make a choice, generosity, and absence of corruption (Helliwell, Layard, & Sachs, WORLD HAPPINESS Overview, 2017).

Researchers have proven that several common view about changes in life evaluation were wrong, giving another reason to stress the importance of such a parameter to measure the effectiveness of whatever implemented policy. The transience of changes in life satisfaction was one of the major lines of thought people had when approaching them, as it had been theorized that whatever rise or decline in individuals' evaluation of their quality of life quickly returned to the basic level because of human beings' fast adaptation to new circumstances. Such a view has been turned down for several reasons, whose evidence is undeniable. Life evaluation differs a lot among countries because of the different life scenarios that take place in terms of cultural background, economic variables, environmental features and so on. If human beings' ability to get used to something without letting themselves being affected by external factors had been so high, then those significant life evaluation's discrepancies would have not been so evident among regions. Expanding on that, another hint comes from trends of sub-populations within the same country, whose degree of life evaluation is affected by social and economic policies, not only in the short, but also in the long-run. Therefore, even if adaptation is one of the major intrinsic inner feature of human beings' character, there is a strong evidence of continuing influence that major changes have on well-being. The case of marriage has been analyzed in these terms. People getting married tend to become happier, satisfying a personal and emotional need with meant to last companionship, but hints suggest that this outcome follows an already more positive individual approach in first place, as happy people are more eager and ready to challenge themselves finding a long-lasting mate. Despite, some data gathered by UK researchers suggested that the emotional benefits coming from marriage were meant to have an impact just in the short time, with a following return to previous life satisfaction level some year later, following papers rejected this theory. Thanks to longitudinal studies of life happiness, instead of the too-often used snapshot to evaluate individuals' situation at a certain point in time, using the same data it has been proved that the positive effects of marriage have a long-lasting horizon, even if the marginal effect decreases over the time span. Divorcing, especially when people do not feel young anymore, does lead to a loss in the level of life happiness. British economists, David Banchflower and Andrew Oswald, calculated that, by the end of the 1990s, a lasting marriage in the UK was valued $100,000 a year, as that had been the surplus income a person divorced and unable to find companionship again would have had to earn to be as happy as the married one (Leonhardt, 2001).

Furthermore, another element that has lately been an object of discussion is migration. Nowadays, globalization has allowed people to get a better knowledge of foreign countries and several lands easily reachable, producing a constant flow of people on the move, looking for a better place to call home and play their own chances to chase after the life they are seeking. Several may be the reasons driving people to become migrants and multiple are the people directly and indirectly influenced by this kind of choice: those left behind in the territory of origin, and those who have already been living in the land of destination (Helliwell, Layard, & Sachs, Happiness and migration: an overview, 2018). Even if countless and different dynamics take place, studies show that on a general basis, migrants register a life satisfaction level more similar to those people living in the destination country rather than the one they have moved from. Such a statement confirms once again that life evaluations do depend on life circumstances, and are not destined to return to baseline levels as required by the set point hypothesis (Helliwell, Layard, & Sachs, WORLD HAPPINESS Overview, 2017).

3.2.2 The importance of a trustworthy social context for the quality of life

Thanks to all the analysis that have already been carried to highlight the way policies and institutions can influence individuals' life satisfaction, it is easy to figure out that a pivotal role in this outcome is played by social context. Using the six variables method to present international differences in life average evaluations, it comes out that social support, generosity, freedom to make life choices and absence of corruption are the ones more emblematic of the different features of social foundation of well-being; while GDP per capita and life expectancy in spite of being not useful elements to measure the quality of a nation's social foundation of well-being, are still highly affected by social context and remain primary parameters to look at when analyzing development. Let's see how social context impacts the overall outcome of individuals' subjective well-being.

Trust is one of the most powerful instruments to affect the pattern of a nation, alongside with the quality of its governance and the absence of corruption. Although, past theories both in economic (with Adam Smith in the "Theory of Moral Sentiment") and psychological field (experimental researches followed that view) showed that human being are unable to truly prove sympathies beyond themselves, their relatives and their close friends, leaving others' happiness and achievements to the free market' s wheels, hence making decisions according to personal interests. This individualistic theory has recently been argued by subsequent studies, stating the people end up acting less selfishly than what Smith and others had theorized, finding an higher level of happiness when doing so. Evidence of that, is given by the Gallup World Poll respondents' result about charity. Adjusting the gathered answers for the income effects in charge, as richer countries have larger sharing opportunities provided by higher wages, it comes up that to have 10% more of the population donating rises average life evaluations by 0.084. Such a hypothetical boost would require a 25% increase in income per capita to be matched, showing that the more a pro-social behavior is engaged, the happier people become.

These socially responsible, unselfish and generous actions are rarely undertaken without a trustworthy social context, like economic literature addresses, evaluating trust as the unfailing tool to hold social capital's elements harmoniously together and let governments providing efficient economic formulas. A clear demonstration comes up from the better average levels of performance and rates of economic growth associated with those nations experiencing higher trust levels. The other pillar influencing those performances is governance and the subjective perception people have about it (Chapter 2 stresses the importance of this happening in Uruguay during its recent economic growth). The effect of good governance extends way above economic progress, directly touching all the personal spheres of any citizen, providing explicit benefits.

Alongside with the above-mentioned elements characterizing a social context and subsequently affecting happiness, there stand social support and sense of freedom. Having someone to count on is not only of physical and mental health, but it also plays much of a role in determining the happiness of anyone. Surveys' outcomes show that for a nation, an added 10% of positive respondents to this issue would lead to 0.23 points' rise in average life evaluation on the 0 to 10 scale. A result a monetary incentive would have hard time to generate, as it is estimated that for a median country to match such an eventual increment a doubling of GDP, all else equal, would be asked. These outcomes emphasize the potential strengths of all social foundation's drivers compared to higher incomes. Social supports also occurs in the presence of networks to back up people in need of health assistance. Similar hints verify with sense of freedom, whom people deliver a high value when making choices, especially in nowadays-Western societies and their pressure-based competitive pattern individuals have to follow to achieve personal results.

On the other side, one of the biggest threats to national well-being lays in well-being inequalities, that are even more relevant than material conditions' ones. Outcomes from the three most commonly used international datasets[15] in happiness economy's field, point out that well-being inequalities, as measured by the standard deviation of life satisfaction responses within the sample populations, do actually outweigh income inequalities as an indicator of life satisfaction differences among people (Helliwell, Huang, & Wang, The social foundation of World Happiness, 2017). Furthermore, well-being inequalities also risk at harming social trust, that it has already been said being the principle driver of the overall success of an economic policy. Moreover, researchers recently figured out that enhancements in social trust do benefit the most those groups that are experiencing tough times, like unemployment, health issues and discrimination, suggesting that progresses in social trust help out average life evaluation both directly and indirectly cutting off well-being inequalities.

Therefore, given all these considerations, the role of social factors as elements to look at when evaluating differences in national happiness comes as an obvious consequence. The quality of the social fabric affects each of the six variables used in the model, from income to life expectancy and authorities need to take into account the context in which they

[15] They are the "World Values Survey", the "European Social Survey" and the "Gallup World Poll"

operate not to run into underestimation of the issues characterizing a certain social context. Despite a higher recognition of the underlying power of it, improvements in finding ways to get to know the mechanisms ruling each context require a further effort. Each social and economic agenda should stress the focus on helping people and securing people a happier life delivering targeted services, creating opportunities and a scope for those in need and building a positive social context in order to generate a trustworthy climate among its members. A stronger effort in collecting data on subjective life satisfaction is needed to go deeper and exploit the underlying potential coming from social foundation. Data evidence that upgrades in social factors (social freedom, generosity, freedom to make a choice and social support) have an average stronger effect than those coming from the other two variables of the model, healthy life expectancy and income per capita. Rising social agents up to world average level bolster life evaluation by almost 2 points (with social support accounting for more than 1 point on its own) which is and higher value compared to the one coming from the combined enhancement of GDP per capita and healthy life expectancy from a bottom to an average world level. Guaranteeing people the chance to rely on someone in times of trouble is so valuable that to match its significance in terms of happiness effects, the three poorest countries in the world would need an income per capita improvement to reach world average (going from $600 to $10,000). To emphasize one more time the meaning of those variables, despite the unfeasibility of the following scenario, countries recording a low value in social foundations would see their national happiness rising by a stellar 3.24 if those factors were elevated reaching the top three countries[16] (Helliwell, Huang, & Wang, The social foundation of World Happiness, 2017).

Therefore, even if several consideration cannot be applied in the real world, researchers, data, and happiness studies covering social foundations suggest how it is critical not overweighting the role of all objectively measurable indicators, like GDP per capita, when looking for explanations in subjective well-being and happiness.

[16] 3.24 is equal to the sum of the hypothetical increases in happiness coming from the 1.97 value corresponding to the achievement of world average, plus 1.27 reaching top three performers in social foundations.

3.2.3 The importance of having a job

Unemployment is one of the main shortcoming that can affect individuals' life satisfaction. It was commonly thought that working was more of a burden rather than a pleasure, but empirical research on happiness has demonstrated otherwise. Living without having a job tends to depress people, letting them feel like having no real purpose to the point that, even if they were receiving the same income as when employed, they would not feel happier.

Given the growing perception that a high rate of unemployment would have harmed opulent Western societies even more than an economy performing under par, economists tried to sort out the real cost of non-voluntary joblessness on human beings. Up to now several studies about it have been undertaken, proving that the burden of unemployment for an individual exceeds the pecuniary cost of not having job. Outcomes evidence one more that social cost overcome income loss in the long-term. Because of the difficulty in quantifying these non-pecuniary costs and not to run in common limitations coming from cross-section data, Lilian and Rainer Winkelmann used data-set from the German Socio-Economic Panel for 1984-89 to examine life satisfaction's determinants and evaluate the real impact of unemployment on happiness. This repeated observation-based approach, allowed researchers to isolate misleading and time-variant effects running through observed people's life, like health, and to truly control time-invariant and specific consequences coming from effect correlated with unemployment.

The research was carried out making a distinction between people actively looking for a job and unable to find it, and those who were neither working nor seeking it (unemployment vs non-participation), despite the tiny border between the two because of the possible discouraging effects affecting the latter. Moreover, unemployment's costs were divided into direct one, coming from the loss of income, and indirect one, concerning loss of self-esteem, possible stimulating relations and challenges, scope contributing to reduce individuals' well-being. At the time of the study there was still a major gap between the percentage of men and women having a full-time job, so sample of 10,000 men aged between 20 and 64 years old was taken. They were asked to answer how satisfied they were with their whole life at the time, with a possible variation from 0 to 10 (a method similar to the often mentioned "Cantril ladder"). The objective of the survey was to draw comparisons among people employed, unemployed and out of the workforce, and to individualize the magnitude of the non-monetary costs of the latter two situations.

	1984	1985	1986	1987	1988	1989
All						
Mean	7·435	7·231	7·284	7·184	7·085	7·124
	(0·032)	(0·033)	(0·032)	(0·032)	(0·032)	(0·033)
% dissatisfied	7·4	8·0	7·0	7·3	8·2	7·8
	(0·004)	(0·004)	(0·004)	(0·004)	(0·005)	(0·005)
N	4183	3658	3416	3410	3197	3080
Employed						
Mean	7·638	7·422	7·459	7·317	7·224	7·251
	(0·032)	(0·033)	(0·033)	(0·032)	(0·033)	(0·033)
% dissatisfied	5·0	5·5	4·8	5·5	6·4	6·0
	(0·004)	(0·004)	(0·004)	(0·004)	(0·005)	(0·005)
N	3530	3043	2856	2858	2661	2563
Out of labour force						
Mean	6·688	6·890	6·839	6·873	6·663	6·717
	(0·119)	(0·110)	(0·110)	(0·109)	(0·113)	(0·112)
% dissatisfied	17·5	11·5	13·0	11·1	13·8	13·5
	(0·018)	(0·016)	(0·017)	(0·016)	(0·019)	(0·017)
N	445	382	385	370	347	392
Unemployed						
Mean	5·587	5·296	5·406	5·725	5·899	5·792
	(0·197)	(0·173)	(0·176)	(0·184)	(0·169)	(0·229)
% dissatisfied	27·4	34·8	29·1	28·6	23·3	25·6
	(0·031)	(0·031)	(0·034)	(0·034)	(0·031)	(0·039)
N	208	233	175	182	189	125
Employed with unemployment experience						
Mean	7·286	7·112	6·898	6·931	6·985	6·928
	(0·143)	(0·142)	(0·138)	(0·137)	(0·137)	(0·132)
% disssatisfied	7·7	8·3	11·1	6·9	7·5	6·3
	(0·017)	(0·019)	(0·021)	(0·017)	(0·019)	(0·017)
N	248	206	226	218	200	207

Table 3.3: "Average life satisfaction and proportion of individuals with low satisfaction classified by employment status"; data were taken by German Socio-Economic Panel source (Winkelmann & Winkelmann, 1998)

The above table representing the average satisfaction in life per employment status category, including the percentage of dissatisfied people within each belonging segment, points out a recurrent trend: workers were the one recording the highest level of satisfaction each year, while unemployed logged the worst score. Furthermore, while the satisfaction coming from having a job seemed to slightly decrease with time, the opposite pattern appeared to happen for jobless people. Comparing the percentage of dissatisfied people along the multiple working status category, it comes out that those who were more prone to feel unhappy belonged to the unemployment group, with a peak of almost 35% in 1985, followed by unoccupied that laid between 11% and 18%, in contrast with the less of 7% of employees. Finally, a possible reason why employees having previously experienced unemployment resulted less satisfied than those not having gone through unemployment, relies in the possible status of those jobs, more insecure and job loss-prone.

Labour force status in $t-1$	Labour force status in t		
	Employed	Unemployed	Out of labour force
Employed			
Mean	−0·104	−1·192	−0·403
s.e.	0·021	0·192	0·199
N	12,544	312	255
Unemployed			
Mean	1·124	−0·062	0·342
s.e.	0·197	0·185	0·332
N	274	395	105
Out of labour force			
Mean	0·620	−0·525	−0·018
s.e.	0·255	0·471	0·088
N	129	61	1205

Table 3.4: "Change in life satisfaction by labor force status in t-1 and t"; data were taken by German Socio-Economic Panel source (Winkelmann & Winkelmann, 1998)

As the above table demonstrates, changes in the labor force status have a crucial impact on life satisfaction overall. An employee getting fired and unable to find a new occupation suffers on average a 1.19 drop in reported satisfaction level, which is even larger than the increase characterizing an individual experiencing the opposite virtuous pattern (passing from an unemployment to an employment status). Supporting the positive implications deriving from having a job, even running out of the labor force in t, coming from an employment status in t-1, on average drops life satisfaction (even if in a smaller manner compared to the passage from employment to unemployment). In addition, it is easy to notice that small but negative variations are associated with those who do not go through change in terms of working status (excluding possible career development's opportunities for employees), indicating once more that individual do not get so easily used to persisting situations as it is commonly thought, and unemployment does no exception, indeed (Winkelmann & Winkelmann, 1998).

The study's results showed how non-monetary costs of unemployment outweighed the monetary ones and its overall negative impact on life satisfaction persists in time even once individual specific circumstances featuring a possible lifetime period are fixed. There was no linkage between the duration of unemployment and the underlying satisfaction coming from it, denying any evidence of humans getting used to it after initially suffering the situation.

Several other researches have been undertaken thereafter, and all have underlined the magnitude importance living a life with a purpose plays in determining people's well-being. Unemployment is one of the main variables driving individuals' willingness to realize themselves and is one of the key issues macroeconomics has to take into account. It is pivotal to evaluate both the direct and indirect effect each policy has on the unemployment ratio, as nowadays societies are running through tough times in terms of job opportunities for youth, leading to possible huge consequences concerning societies' non-pecuniary costs.

3.2.4 A worldwide picture of life evaluation and its current trends

After the all analysis the present work has tried to cover, spacing from an in-depth description of the linkage between subjective life satisfaction and the way macroeconomics affects it through any implemented policy, now a current national data-based scenario with ongoing trends is portrayed.

Using the Cantril ladder method to measure life happiness on a scale from 0 to 10, the results coming from Gallup World Poll surveys, from 2015-2017, display the current worldwide ranking of national happiness based on a typical sample of 3,000 inhabitants per state. As expected, top performing countries tend to have high scores in each of the six highlighted variables backing up well-being: healthy life expectancy, GDP per capita and the other four concerning social foundations, social support, freedom to choose, absence of corruption and generosity. In 2018, Finland got past Norway overtaking the top spot, evidencing an annual change at the top as also Switzerland and Denmark led the way in 2015 and 2016 respectively. Nonetheless stability has characterized the top ten performing countries in the last four years, with only limited swapping of places (Helliwell, Haifang, Wang, & Shiplett, 2018). Among them, the majority are Western European states of small-medium size, with a reported average life evaluation of 7.4 out of 10, on average. This value more than dubs the one associated with the 10 worst performing nations, which stand at an average value of 3.4, whose achievements are marked by large issues affecting both material conditions (income per capita and healthy life expectancy) and social context, characterized by citizens' low level of trust towards institution, large corruption's episodes and strong inequalities. Apart from the top ten, the ranking is more globally heterogeneous, with no global region monopolizing the scenario. GDP per capita's magnitude as the main driver of well-being's outcome decreases as overall income per nation rises: the poorer the country, the more its people's happiness is impacted by material conditions' changes.

The 2017 World Happiness Report also evidences the major changes that occurred in life evaluations between 2005-2007 and 2014-2016 for 126 countries, pointing out that Latin America was the region experiencing a major positive turnover, while Western Europe saw losers outweighing achievers. Uruguay, whose economic history and events characterizing the interested period have been thoroughly covered in Chapter 2, had the 11^{th} larger increase in national happiness (+ 0.714), reaching the 28th position in the World ranking of 2017 (with an average score of 6.45 out of 10, far above worldwide standard). The country that registered the most significant improvement was Nicaragua (+1.36), while Venezuela was the one losing more ground compared to the beginning of the studied period (-1.60), a bad trend that is even worsening as political and social crisis is peaking lately (Helliwell, Huang, & Wang, The social foundation of World Happiness, 2017). These changes showcased that external factors do always affect countries' life evaluation, but the degree to which especially negative circumstances alter it closely depend on the quality of the social and institutional framework of the interested country. The stronger social contexts can wear down external shocks and quickly recover, while an opposite reaction usually happens when countries have less trustworthy institutions and social foundations to bear economic crisis, whose impact is then furtherly amplified. An extra benefit coming from strong social structure relates to the additional happiness citizens have from feeling confident about the context they live into, trusting authorities when adversities verify, and generating a community's sense of belonging.

Among the other covered topics, it is important to stress the focus on the way inequalities of well-being, based on standard deviation of life evaluations within each country, affect average national happiness. As expected, those countries registering higher inequalities saw lower comprehensive well-being on average.

A major trend that has always characterized human beings, has been recently a major argument in several politics debates and concerning policies, driven by globalization, and it was thoroughly covered in 2018 World Happiness report: immigration. It was evidenced that immigrants' happiness is more correlated with the quality of life of the society the arrive in, rather than the one they leave behind, and such a connection is so strong that, on average, immigrants' happiness almost reach the one of the rest of the population. A further general trend shows that when immigrants come from a richer country they tend to be even happier than local once convergence occurs, while their happiness is less when they come from lower ranked ones. Finland leads the way in this ranking too, as foreigners living there are the happiest among the field.

Likewise in all happiness related studies, income does matter but less than expected, as countries with the happiest immigrants are not the richest ones, but those where all the six mentioned variables work in a balanced way, generating a welcoming social context.

Despite some insights coming from happiness trends related with migration, it is never easy to forecast how these pathways shape up for all individuals, are psychological, destination and departing country, institutions, governments, external circumstances and policies play too much of a role to depict a basic scenario. What can be drawn it is that given the large gaps in happiness among different countries, and especially among global regions, some people will always try to challenge themselves migrating to enhance their well-being and chance at reaching happiness, if given the chance. A corresponding cost-benefit scenario will show up and involve several characters, people choosing to migrate, those left behind and those living in the receiving-countries (Helliwell, Haifang, Wang, & Shiplett, 2018).

Taking all that into account, what comes from these ranking and trends, it is that several actions to improve people's life satisfaction can be done without worsening off each other. Since the quality of social context plays a role as important as income, scenarios to enhance happiness through more sustainable and less material resource-demanding ways are possible, acting on social fabrics (Helliwell, Layard, & Sachs, WORLD HAPPINESS Overview, 2017).

CONCLUSIONS

This thesis embraces several topics and highlights how psychology and economy have collaborated to understand the linkage between income per capita and individuals' well-being. Several line of thoughts and views have been carried out through the years, with researchers doing their best to figure out a method to gather people' answers about their life evaluation, isolating external factors able to influence these responses. What comes out reveals how income does play a crucial role in determining human beings' well-being, but is only one of the drivers. Studies pointed out how additional income does not raise happiness ad infinitum, as the higher an individual initial income level is, the less an increase of it boosts his happiness, calling such a phenomenon the "Easterlin paradox". A clear example comes from what happened in several Western societies, like the USA, which experienced a huge increase in income per capita after World War 2, with a following rise in purchasing power that had not been followed by an equally strong rise in terms of life happiness.

As the importance of the social context and the need for governments to take into account happiness economy's considerations when implementing macroeconomic policies grew over the years, the way an institutional figure running a country spoke against capitalism was unique. Mujica challenged some habits the economic model of consumption has built in several of his speeches, catching worldwide attention, putting Uruguay's chronicles under the spotlight. Analyzing the recent history of the country, from the financial crisis to the following era of growth, and comparing monetary data with reported average national well-being (thanks to the OECD "How's life?" framework and the Cantril Ladder method), it comes out that the economic development has surely positively affected individuals' happiness, but it has not been the only driver. The effect would have not been the same without the positive social foundations' factors that have characterized the country over the last decade, highlighting once more the importance of trustworthy institutions, low level of corruption in the government, an inclusive social environment and sustainable development.

Broadening the analysis and looking at the current situation reported in recent "World Happiness" reports, the relevance of the happiness economy comes clear, as no macroeconomic policy can hit it off without taking into account the long-term impact it is going to have on individual well-being. National life evaluations must not be underestimated, given that each human being has come to this World trying to make the most of his time and being happy. Further studies need to be made to assess better surveys' methods in order to reduce interpretations' errors and to serve as an even more important tool for the whole macroeconomics.

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EXECUTIVE SUMMARY

From the Uruguayan case to the Happiness economy

“To all of the authorities present here, from every latitude and organization, thank you very much. I want to thank the people of Brazil and Mrs. President, Dilma Rousseff. Thank you all for the good faith undoubtedly expressed by all of the speakers that preceded me.

We hereby express our innermost will as rulers, to adhere all the agreements our wretched humanity, may chance to subscribe. Notwithstanding, let us take this opportunity to ask some questions aloud. All afternoon long, we have been talking about sustainable development, about rescuing the masses from the claws of poverty. What is it that flutters within our minds? Is it the model of development and consumption, the one reigning on affluent societies? I ask to myself this question: what would happen to this planet if the people of India had the same number of cars per family as the Germans? How much oxygen would there be left for us to breathe? More clearly: Does the world today have the material elements to enable 7 or 8 billion people to enjoy the same level of consumption and squandering as the most affluent Western societies? Will that ever be possible? Or will we have to start a different type of discussion one day? Because we have created this civilization in which we live: the progeny of the market, of the competition, which has begotten prodigious and explosive material progress. But the market economy has created market societies. And it has given us this globalization, which means being aware of the whole planet. Are we ruling globalization or is globalization ruling over us?"

"We come into this planet to be happy. Because life is short and it slips away from us, and no material belonging is worth as much as life, and this is fundamental. Life is going to slip through our fingers, working and over-working in order to be able to consume more, and the consumer society is the engine, because, ultimately, if consumption is paralyzed, the economy stops, and if you stop economy, the ghost of stagnation appears for each one of us, but it is this hyper-consumption that is harming the planet."

"I know some of the things I'm saying are not easy to digest, but we must realize the water crisis and the aggression to the environment is not the cause. The cause is the model of civilization that we have created. And the thing we have to re-examine is our way of life."

"And one asks this question: is this the fate of human life? The things I say are very basic: development cannot go against happiness. It has to work in favor of human happiness, of love on Earth, human relationships, caring for children, having friends, having our basic needs covered. Precisely, because this is the most precious treasure we have: happiness. When we fight for the environment, we must remember that the essential element of the environment is called human happiness." (United Nations, 2012)

Here are some extracts from the speech the ex-president of Uruguay, José Alberto Mujica Cordano, held in June, the 20th of 2006 at Rio +20 summit organized by the United Nations, to discuss about the sustainable development and the environment. The resonance of his words caught worldwide attention because of their uniqueness, given the role of his figure. His focus on human happiness and its relation with economic development is one of the drivers that has inspired this thesis.

Once a child is born, everyone wishes him or her a good life. What does a life need to be called like a good one? Points of view may differ a lot when answering such a question, but usually there is a common element, that is considered the ultimate goal of life: "Happiness".

Economics has to deal with life satisfaction so that each decision should be undertaken considering people's desire to reach individual happiness.

So, how do economic growth, unemployment, inflation and institutional factors such as governance affect individual well-being? (Frey & Stutzer, What can economists learn from happiness research, 2002)

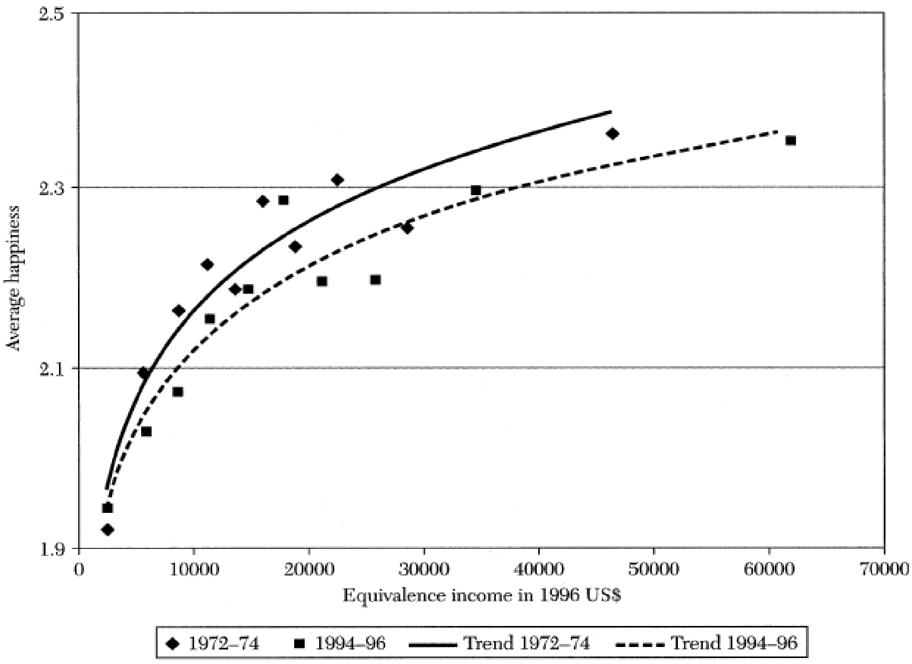
Too often, psychological variables are not given the right weight when implementing a political economy initiative. If someone is fired and is unable to find another occupation in a reasonable timescale, the non-pecuniary costs (like the possible self-esteem loss) cannot be offset even by a monetary compensation that would move people from the lowest income quartile to the highest one (Frey & Stutzer, What can economists learn from happiness research, 2002). These surveys' results lead to a key finding this thesis talks about: holding a job, feeling satisfied, keeping a high level of motivation are elements that are hard to offset no matter what monetary compensation an individual can receive.

Therefore, happiness research has not to be overlooked; it should be one of the main driver to follow when making an economic policy decision at whatever level, because its impact on the way people feel about their life thereafter is the main tool they use to evaluate such a policy.

Researchers have individualized six key variables governments need to look at when implementing macroeconomic policies, since they have the strongest implications in terms of people's life satisfaction: GDP per capita, healthy life expectancy, social support, freedom to make a choice, generosity, and absence of corruption (Helliwell, Layard, & Sachs, WORLD HAPPINESS Overview, 2017).

Cross-national studies over different time span evidence that social context plays the biggest role in determining life satisfaction, all else being equal. Data evidence that upgrades in social factors (social freedom, generosity, freedom to make a choice and social support) have an average stronger effect than those coming from the other two variables of the model, healthy life expectancy and income per capita. Rising social agents up to world average level bolsters life evaluation by almost 2 points (with social support accounting for more than 1 point on its own), which is more than what would happen with the combined enhancement of GDP per capita and healthy life expectancy from a bottom to an average world level. Guaranteeing people the chance to rely on someone in times of trouble is so valuable that, to match its significance in terms of happiness effects, the three poorest countries in the world would need an income per capita improvement to reach world average (going from $600 to $10,000).

Therefore, even if several considerations cannot be applied in the real world, happiness studies covering social foundations suggest how crucial is not to overweight the role of all objectively measurable indicators, like GDP per capita, when looking for explanations in subjective well-being and happiness. There is no need to be hypocrite, though: money helps living a better life, because it allows people to get access to material goods and services, which, especially in Western societies, are items no one deprives from by choice. The higher the income of an individual or a family, the greater the opportunity to achieve material stuff and to guarantee a social status empowerment. It would be logical, based on such a statement, that richer people should obtain higher scores in on happiness and life satisfaction's surveys. Plenty of opinions and literature's dissertations have stressed whether, and to which degree level, a relationship between income and happiness exists. Through the years, it has been affirmed that, on average, richer people report higher subjective well-being. An example occurring to defend such a thesis comes from what has been the case for the United States. Researchers gathered data to analyze the possible connection between money and happiness during two different periods of three years each. It has come out that a strong positive relationship between (equivalent) real income and happiness actually existed both in the first observed period, 1972-1974, and in the second one, 1994-1996. The graph below shows these results. On the y-axis, there are the reported scores of average happiness level, going from 1 "not too happy", to 3 "very happy". On the x-axis, instead, it is represented the equivalent income (adjusted by purchasing power and inflation).



"Happiness and Equivalence Income in the United States"; Source National opinion research center (Frey & Stutzer, What can economists learn from happiness research, 2002)

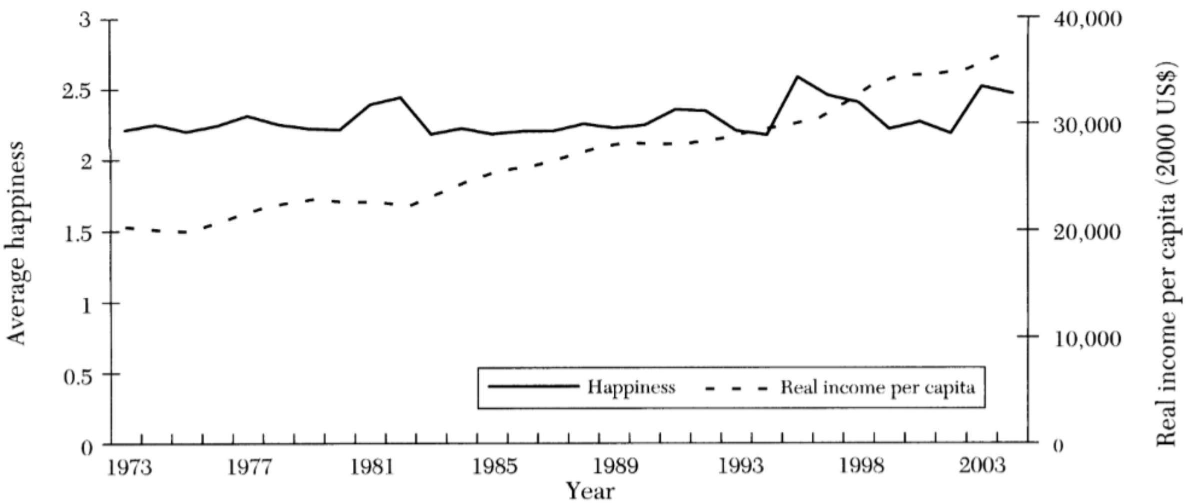
The study divided the sample of all respondents in ten different groups whose lowest mean happiness scores were 1.92 for the 1972-1974 period, and 1.94 for the years 1994-1996; while in both ages the highest decile score stood at 2.36.

Equivalence Income[a] (1996 US$)	Mean Happiness Rating[b]		Mean Equivalence Income		Number of Observations	
	1972–74	1994–96	1972–74	1994–96	1972–74	1994–96
Full sample	2.21	2.17	17434	20767	4214	5171
Decile						
1	1.92	1.94	2522	2586	421	499
2	2.09	2.03	5777	5867	419	528
3	2.17	2.07	8694	8634	417	497
4	2.22	2.15	11114	11533	416	542
5	2.19	2.19	13517	14763	391	512
6	2.29	2.29	15979	17666	460	500
7	2.24	2.20	18713	21128	393	527
8	2.31	2.20	22343	25745	447	529
9	2.26	2.30	28473	34688	427	472
10	2.36	2.36	46338	61836	423	565

"Happiness and Equivalence Income in the United States"; Source: General social survey; National opinion research center (Frey & Stutzer, What can economists learn from happiness research, 2002)

It is easy to see how the higher the mean equivalence income gets, the higher the mean happiness rating is. Therefore, it can be stated that in the United States, in both those periods, people with higher income turned out being happier (Frey & Stutzer, What can economists learn from happiness research, 2002).

Nevertheless, something else, less easy to catch needs to be stated: additional income does not raise happiness ad infinitum (Frey & Stutzer, What can economists learn from happiness research, 2002). The following graph underlines how the relationship between income and reported happiness is not a linear one: not any income increase leads to a rise in the mean happiness rating. Such a phenomenon is a consequence of the diminishing marginal utility that characterize income. The higher the initial income level, the less an increase of it boosts individual happiness.

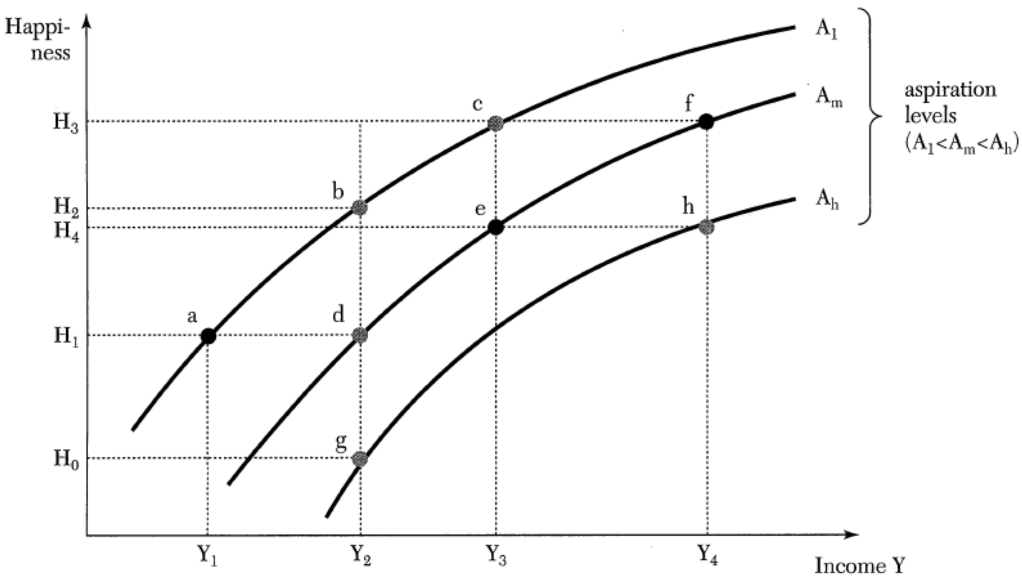


"Happiness and Equivalence Income in the United States 1973-2004"; Source: World Database of happiness and Penn World tables (Clark , Frijters, & Shields, 2008)

Therefore, it can be argued that, once a human being is out of the poverty threshold, which varies according to the country where he/she lives, money is not the strongest happiness driver anymore: this is the, so called, "Easterlin paradox". He analyzed how a real income per capita growth that characterized societies after World War 2 did not lead to a substantial increase in the reported individual happiness. American citizens almost doubled their real income per capita after World War 2, but reported happiness did not follow the same pattern. The same happened to several European countries.

Therefore, additional income seems to have just a temporary effect. Human beings are constantly evolving and adjusting to past experiences over their lifetime. That is why time plays a large role on the income-happiness relationship, the effect of an increased wage allows people to improve their consumption possibilities and it gives them an extra-pleasure in the immediate time. After a while, that extra-happiness effect disappears, letting life satisfaction get back to the level it was before. Satisfactions depends on change and disappear with continued consumption because of adaptation and aspirations. According to aspiration level theory, what really drives any happiness level is the gap laying between aspiration and achievement. The more someone gets, the more he/she wants. As income per capita rises, individuals' marginal utility changes too. Furthermore, most people believe that the tomorrow is going to be better, no matter how bad the past was, because of the "changing aspirations" effect.

The effects of changes in income affecting aspiration levels are illustrated in the graph below:



"Happiness, Income, and the role of the Aspiration level"; (Frey & Stutzer, What can economists learn from happiness research, 2002)

At the beginning, individuals' aspiration level lays on A(l) curve, so that an income level amounting at Y1 generates H1 happiness. Then we can draw the first level of aspiration at point "a". If, for whatever reason, income level enhances to reach Y2, happiness subsequently moves up to H2. We have the second aspiration level point, which we call "b". Going on with such a process, we can draw as many aspiration level points as we want, considering that the curve is built on the decreasing marginal utility of income, as it is normally assumed in general economic theory.

But people aspiration level does not remain constant over time, so curve A(l) is representative of the income changes' phenomenon just for a certain period. Therefore, an income rise from Y1 to Y2, does not generate a shift on the same curve from point "a" to point "b", as it has just been said above. The aspiration level theory suggests that these curves move downward as income increases, so that, for instance, for an individual having an A(m) aspiration level curve, the required income to generate an H3 happiness amounts at Y4, which is much higher than Y3, which is the amount needed to reach the same happiness level once the individual' s aspiration level was on curve A(l). The expected happiness boost given by an increase in income because of a certain aspiration curve does not happen, because that increase brings up aspiration to a higher level, reducing the overall effect on happiness. Therefore, higher income makes people happier, but because of the effect of time and changing aspiration, such an increase is smaller than with constant aspiration curves. This graph helps us understanding the role of time in the income-happiness relationship given by the always changing evaluations individuals make of happiness related to past experiences and future expectations.

The Uruguayan case

The present work analyzes what happened in Uruguay in the last twenty years to point out how economic development has bolstered individuals' well-being with a large contribution coming from the stable framework of national institutions and targeted policies to help the most suffering segments of the population after the financial crisis that hit the country at the beginning of the new millennium. The role played by the singular figure of ex-president José Mujica caught international attention on Uruguay, thanks to his ideas challenging common views. His unique figure comes out as one of the main practical linkages between macroeconomics dynamics and happiness economy.

Uruguay is a small country of Latin America, that has always been affected by what happens in the two major countries nearby, Argentina and Brazil, especially with globalization. Therefore, what happened in Argentina in 2001 had a huge impact on the country.

During the biennium of 2001-2002, Argentina suffered a massive financial crisis. Among the main reasons leading to that, there was the monetary policy that had been established ten years before, under the presidency of Ménem, the “Currency board”, a mean that let the local Argentinian currency, the “Peso”, reaching the value of the American dollar, which was far stronger. Even if at the beginning this forced appreciation of the currency paid some dividends, Argentina had still to rely on the IMF’s help, since it was losing control of the national monetary policy. The gap between the American and Argentinian economies proved to be too wide and the government underestimated the risk that had undertaken. Killing exportations weakened the national economy and did not allow Peso to bear the weight of such a high valuation. So, when external shocks left the Argentine peso overvalued at the end of the 1990s, no one was able to promptly face the situation, neither from the intern (the country’s political system), nor from the outside (the relationship with the IMF). One of those major shocks happened when Brazil’s currency suffered a depreciation of almost 50% in terms of American dollar. The following issues arose quicker than what had been expected, leading to a huge drop in the export economy, since Brazil was the main importer of Argentinian goods and it suddenly saw its population’ s purchase power halved. Therefore, Argentina’s economy began collapsing and reached the edge of default.

In 2002, because of the direct resonance of the Argentinian crisis, Uruguay found itself on the edge of default. The country had already been dealing with three years of sluggish economic performance, which came over as a surprise since for most of the decade before the trend had been positive. Consumption delivered as one of the main drivers, widely helped by what was going on in Argentina and Brazil, and the Mercosur trade agreement. Nonetheless, Uruguay found itself unprepared to face the wind of change that came thereafter, because of its structural weaknesses that had not been fixed when there was the chance, leaving the economy vulnerable to external shocks. The financial balance of the public sector had constantly stayed in deficit throughout the 1990s. Public debt had been almost completely denominated in US dollars as in Argentina’s case, leaving Uruguay a hard time once Brazil suffered a strong depreciation of its currency years later. Especially short-terms deposits were denominated in American dollars, producing an off-balance in terms or currency's values. Therefore, because of its structural inefficiencies and economic size, Uruguay had always found itself living spillover effects generated by its neighbor economies' shocks, both positive and negative ones. Argentina's crisis was no exception. Because of the Argentinian financial crisis and the Brazilian currency devaluation of 1999, Uruguay saw its trading channels that had previously boosted the country economy hitting the wall and dropping in overall terms. Consequently, the internal demand decreased and so did real GDP per capita. In addition public sector deficit kept rising. The expected recovery did not materialize and a climate of increasing discourage from foreign investors, coupled with the weakening of the peso, brought to compulsive deposit withdrawals from the Uruguayan banking system which, as a result, experienced losses (OECD, 2014). In 2002, Uruguay entered in a nightmare scenario: with the ongoing Argentinian crisis, domestic exports payed the highest dividends, drastically falling and real term GDP hitting a slump, with an 11-points percentage cut. Uruguayan banks were unable to lend.

Not to collapse, a loan of three milliards of dollars was asked to the International Monetary Fund. In agreement with the latter, the country had the chance to extend the debt yield to maturity to five years, leaving the nominal value of it unaffected. In the meantime, the government tried to re-establish some order in the accounting numbers, so a restricted policy was implemented, cutting off the debt from 100% of Pil to 66% in three years. Such a desperate rescue worked out and hit it off, giving Uruguay the chance to get back on international financial markets in only five months (Da Rold, 2011).

Once the financial recovery had begun to stride, Uruguay entered into the widest period of economic growth the country had seen in ages. Targeted macroeconomic policies and favorable external circumstances smoothed the way for enhancements in several humans' well-being dimensions. The overall "Frente Amplio" government's experience marked a new era in Uruguay's history characterized by an average increase of income and safeguards for workers, a strong reformistic agenda of social policies and capital accumulation (Oyhantçabal, 2019). During Mujica's presidency, because of the challenging gospels and progressive nature of the character, Uruguay saw lots of stuff changing, even some social aspects so settled in the cultural background of the country. The main heritage his government left for Uruguay and caught international media attention is made of the following amendments: the legalization of abortion, consumption of marijuana and homosexual marriage. Looking at the topics covered by the above-mentioned initiatives, it is safe to state how the importance of social rights and the purpose of giving a voice to minorities were the main drivers behind them. Nonetheless, during his presidency, economic variables played a major role as usual and, not surprisingly, poverty was reduced. Unemployment dropped to 6.3% in 2011 and so did underemployment (7%) and informal employment (28%). They all decreased by 10 percentage points. Due to policies creating better job opportunities for the whole workforce, there was a 29-point reduction in terms of population living under the poverty threshold, dropping to 10.1%. Such a scenario, joint with a bigger public expenditure that led to easier access to public services, overall improved citizens' quality of life. Mujica never forgot his agrarian origins and took care of the importance of raw materials and agro-industrial goods, consolidating its economy to the point that 70% of the exported good of the country were of agricultural or agro-industrial origin: beef, rice, soy and so on. China turned out being the main trading partner, given Uruguay political and economic stability. Another pivotal achievement concerns the percentage of Pil accounted for investments, which almost doubled up during the 5 year Mujica ran the government, passing from 13% to 25%. Thanks to the character of the president and his revolutionary initiatives, Uruguay caught international attention as it had never happened before.

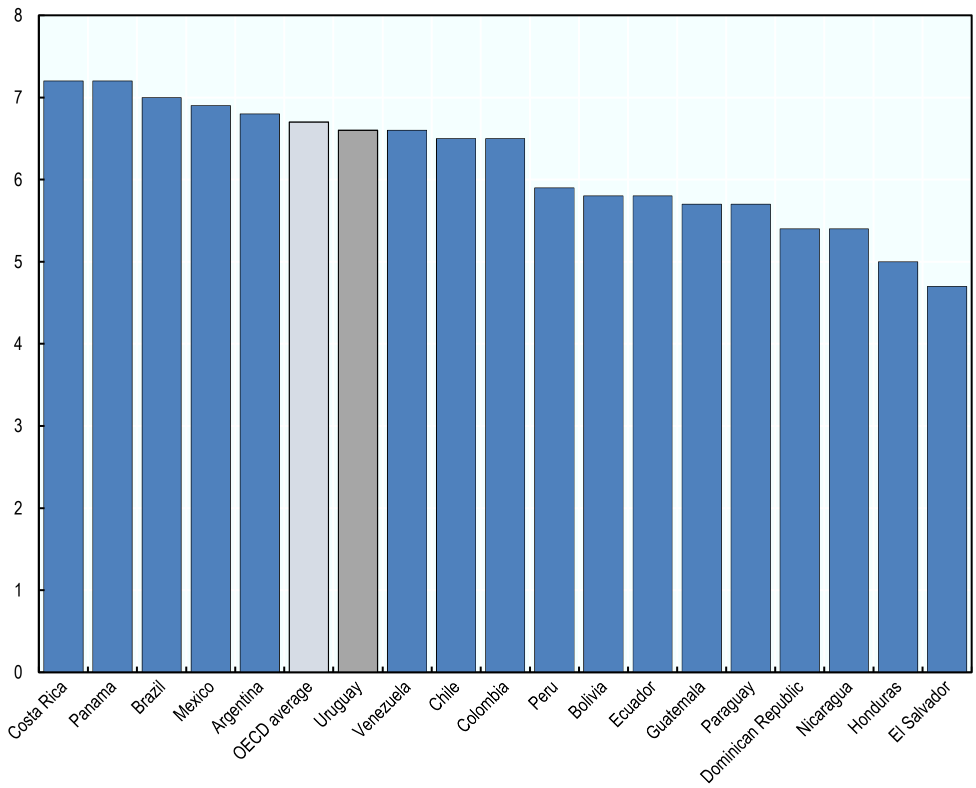
Nowadays, multinational enterprises see the country as the perfect platform to arrive at when they want to begin having economic linkages with the continent. The same happens to foreign investors, who consider it as a first step towards penetrating the whole region, given its constant improvement on the major welfare, economic and social indicators during the last decade. One of the reasons of this attractiveness, relies on the great political stability that has characterized the country recently, as for the third straight time the lefty coalition has been able to win the national election and no putsch or civic violence have been reported, given the constant economic growth even during the international crisis of 2008. Only Peru recorded a PIL percentage average annual growth higher than Uruguay (+5.4%) over the interested period (2005-2014).

It is clear that the heritage coming from the ex-president José Mujica is not measurable in terms of numbers, even if they surely support the overall analysis. The most important part though, is represented by the uniqueness of the themes covered in the several public speeches he held, not only in the most famous in Rio, during the United Nations' summit over the worldwide climate changes in 2012. He openly challenged the main capitalist assets, considering impossible to keep on track with the relentless worldwide economic growth first-world countries demand, given the scarcity of natural resources the planet has to offer. He therefore promoted a sober lifestyle, whom he embraced, leading by example. He firmly believes environmental catastrophes are about to happen and reveal hard to prevent if all countries tried to replicate the life standard of Western powerhouses.

According to him, looking mainly at PIL per capita and other macroeconomic indexes come at expense of all the subjective perceived factors that drive individual insight of how to rank their life satisfaction at any given moment in time. The theme of "happiness economy" has a peculiar place in his soul, as he has often claimed that no economic development has to go against individuals' happiness, emphasizing a sustainable growth model and a resources' reallocation not to harm the planet and leave human beings as counterparts of the economic development Western societies have been deeply trying to chase.

Talking about how economic and social development Uruguay has experienced over the past decade, led to changes in individuals' well-being, using the OECD' s "How's Life?" framework is helpful. The latter outlines the 11 dimensions that are more meaningful for individual well-being. On one side, there are those elements that are directly connected with the quality of life of a citizen: health status, work-life balance, education and skills, social connections, civic engagement and governance, environmental quality, personal security and subjective well-being. On the other side, there is the material conditions' dimension, whose outcome is determined by income and wealth, jobs and earnings, housing. Each component has a different relative weight for different countries. The frame has proven to be helpful to set criteria to evaluate something as subjective as individuals' reported well-being in a more analytical way. It is trustworthy because it groups data on an individual basis rather than an aggregate economic one. Furthermore, it highlights outcomes more than inputs (given the non-directly related relationship that characterizes many of the considered dimensions, as it is case of health, whom none government's measure can fully control, but only influence). Thirdly, it provides a great relevance to the distributions of well-being outcomes to pinpoint inequalities, which is notable when economic and social policies do produce positive outcomes on a national level, but, in the meantime, also generate worse conditions and deprivation for some people. In addition, this instrument takes on board both subjective and objective features, so that, its results come out from people's personal ratings to their lives and those objective conditions characterizing the scenario where they live (OECD, 2011).

Uruguay has overall improved its citizens' general subjective well-being. This outcome is as relevant as any measurable economic achievement, because the ultimate goal of people is to feel satisfied about the way they are running their lives. Despite the objective bottlenecks in gathering data and setting effective surveys to evaluate life satisfaction and reported happiness, trustworthy methods have been found. One of them (as explained in Chapter 1), is the Cantril Ladder method, which asks interview to put their life in perspective and suppose that standing at the top of the ladder means living their dream life (score 10), while staying at the bottom living a nightmare kind of life (score 0). According to this method, Uruguay registers a mean score of 6.6, which is above the average of the region and really closing the gap with OECD members.



"South America's Life Satisfaction Index per country";

Source: Gallup Organization, 2013, Gallup World monitor database (OECD, 2014)

Moving on from financial crisis and experiencing the most prosper period of the last century has surely bolstered individuals' perception of the quality of their lives. However, evidenced by the purpose of this entire work, economic data and ratios only partially influence subjective well-being outcomes, which register a better score than what Uruguay's income per capita would suggest. The main strengths and drivers to this result lay in the good institutional climate and faith citizens have towards the government, together with good environmental quality, health system and sanitation's access, social trust, constantly improving employability, and relative discrepancy in term of gender equity compared to the region.

Nonetheless, there are several challenges Uruguay has to face in order to reduce inequalities to keep on flowing the positive period that has boosted the overall internal picture both economically and socially. Even if current income disparities are not that relevant in the country compared to regional data, the situation has to be closely monitored during the current development path that is moving Uruguay from a middle-income to a high-income nation, to prevent it from rising. Similar differences among the population possibilities, concern access' possibilities to education and employability's opportunities. Furthermore, unemployment still hits young people and so do other threats like, drugs' abuse, adolescent pregnancy and a weak perceived security.

To solidify and improve its population subjective well-being, Uruguay will have to maintain and enhance its current human capital, focusing on it weaknesses and looking at coming opportunities, shaping its institutional and economical frameworks in human-centered way, not to leave anyone behind. Reducing inequalities, strengthening equity, labor market's access and upgrading the educational system should be done right away to grant a long-term sustainable development.

A worldwide picture of life evaluation and its current trends

After the all analysis the present work has tried to cover, spacing from an in-depth description of the linkage between subjective life satisfaction and the way macroeconomics affects it through any implemented policy, now a current national data-based scenario with ongoing trends is portrayed.

Using the Cantril ladder method to measure life happiness on a scale from 0 to 10, the results coming from Gallup World Poll surveys, from 2015-2017, display the current worldwide ranking of national happiness based on a typical sample of 3,000 inhabitants per state. As expected, top performing countries tend to have high scores in each of the six highlighted variables backing up well-being: healthy life expectancy, GDP per capita and the other four concerning social foundations, social support, freedom to choose, absence of corruption and generosity. In 2018, Finland got past Norway overtaking the top spot, evidencing an annual change at the top as also Switzerland and Denmark led the way in 2015 and 2016 respectively. Looking at changes in life evaluations that occurred between 2005-2007 and 2014-2016, Latin America was the region experiencing a major positive turnover, while Western Europe saw losers outweighing achievers. Uruguay, whose economic history and events characterizing the interested period have been previously discussed, recorded the 11th larger increase in national happiness (+ 0.714), reaching the 28th position in the World ranking of 2017. The country that registered the most significant improvement was Nicaragua (+1.36), while Venezuela was the one losing more ground compared to the beginning of the studied period (-1.60), a bad trend that is even worsening as political and social crisis is peaking lately (Helliwell, Huang, & Wang, The social foundation of World Happiness, 2017). These changes showcased that external factors do always affect countries' life evaluation, but the degree to which especially negative circumstances alter it closely depend on the quality of the social and institutional framework of the interested country. The stronger social contexts can wear down external shocks and quickly recover, while an opposite reaction usually happens when countries have less trustworthy institutions and social foundations to bear economic crisis, whose impact is then furtherly amplified. An extra benefit coming from strong social structure relates to the additional happiness citizens have from feeling confident about the context they live into, trusting authorities when adversities verify, and generating a community's sense of belonging.

Conclusions

This thesis embraces several topics and highlights how psychology and economy have collaborated to understand the linkage between income per capita and individuals' well-being. Several line of thoughts and views have been carried out through the years, with researchers doing their best to figure out a method to gather people' answers about their life evaluation, isolating external factors able to influence those responses. What comes out reveals how income does play a crucial role in determining human beings' well-being, but is only one of the drivers. Studies pointed out how additional income does not raise happiness ad infinitum, as the higher an individual initial income level is, the less an increase of it boosts his happiness, calling such a phenomenon the "Easterlin paradox". A clear example comes from what happened in several Western societies, like the USA, which experienced a huge increase in income per capita after World War 2, with a following rise in purchasing power that had not been followed by a similar trend in terms of life happiness.

As the importance of the social context and the need for governments to take into account happiness economy's considerations when implementing macroeconomic policies grew over the years, the way an institutional figure running a country spoke against capitalism was singular. Mujica challenged some habits of the consumption economic model in several of his speeches, catching worldwide attention and putting Uruguay's chronicles under the spotlight. Analyzing the recent history of the country, from the financial crisis to the following era of growth, and comparing monetary data with reported average national well-being (thanks to the OECD "How's life?" framework and the Cantril Ladder method), it comes out that the economic development has surely positively affected individuals' happiness, but it has not been the only driver. The effect would have not been the same without the positive social foundations' factors that have characterized the country over the last decade, highlighting once more the importance of trustworthy institutions, low level of corruption in the government, an inclusive social environment and sustainable development.

Broadening the analysis and looking at the current situation reported in recent "World Happiness" reports, the relevance of the happiness economy comes clear, as no macroeconomic policy can hit it off without taking into account the long-term impact it is going to have on individual well-being. National life evaluations must not be underestimated, given that each human being has come to this World trying to make the most of his time and being happy. Further studies need to be made to establish better surveys' methods and linkages between economy and happiness, to serve as an even more important tool for macroeconomic decisions.