The World's Happiest Country?
Guest: Christian Bjørnskov
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Christian Bjørnskov is a professor of economics at Aarhus University in Denmark.

WOODS: Before getting into the details about Denmark and the claims made in this notorious Huffington Post article which very, very rapidly made the rounds on Facebook, tell us what exactly is this happiness literature? What are some of the assumptions behind it?

BJØRNSKOV: Well it's about 20 years old, the modern literature on happiness. The main assumption is that people know best themselves, so instead of trying to set up an index of what we think people ought to like or what we think a good life ought to be, we ask people themselves. So we'll ask people, what makes you happy? We ask them, how happy are you these days? Or, how satisfied are you with your life as a whole? When we have questions from literally 100,000 people, it's pretty easy to go back and see what's common to the very happy people. What makes them happy? So what makes some Americans happy and other Americans happy and what makes Danes happy and Americans?

WOODS: How do you measure happiness? It seems like a difficult thing to grab hold of conceptually.

BJØRNSKOV: It is, but as it turns out the simplest question is the best measure. The question is, "On a scale from one to ten how satisfied are you with your life as a whole?" That's a good question, because it doesn't leave anything specific to answer. It doesn't presume that we know what makes you happy. So people will answer that in an honest way, because we haven't asked about anything that triggers any social norms, for example, anything that people say, "Oh, this makes me happy," because they think it ought to make them happy. It gives them the most precise answers.

WOODS: It does seem like a question to which you might be more likely to get an answer that's valid across cultures. I think, for example, of when Korean children are asked if they consider themselves good at mathematics. A lot of them will say no. And yet, most American kids will say they are good at mathematics, and they're actually terrible at it. That indicates in both cases some cultural assumptions there about what it means to be good at math and the expectations that your parents have. Simply asking are you happy, on the other hand, does seem like a question to which we might plausibly expect to be able to compare answers from one country to another.

But now, of course, the specific reason I invited you on involves the finding that Denmark is the happiest country. And of course, right away there are political implications of this, because you know as well as anybody that Denmark has a very substantial public sector. And so it didn't take very long for people to draw what they consider to be the appropriate conclusion. What do you make of Denmark coming out on the top of this happiness ranking?

BJØRNSKOV: It actually makes sense if you know the literature, but it's not due to the reasons that the Huffington Post claims in that article, published all over the world. It doesn't have anything to do with the public sector or with the massive welfare state that we share with Sweden and Norway. It's mainly due to something quite different. It's due to the very high levels of social trust. So we don't really trust our politicians more than you guys do, but we trust other people way more than anyone else in the world. So if you ask questions like, "In general, do you think most people can be trusted or do you have to be careful?" roughly 40 percent of Americans say yes. The global average is 27 percent. If you go to Denmark 70 percent say, yes you can trust other people. With that level of trust there are a lot of worries that you just don't have to have in Denmark. You feel safe with other people.

WOODS: What do you attribute that to? That's an extraordinary figure.

BJØRNSKOV: It's an extraordinary figure, and we don't really know where it came from. But what we can see is, for example, among third-generation immigrants in the U.S., they still have more or less the same trust as their grandparents had when they immigrated from Denmark or Norway or Sweden. It survives throughout generations. That makes it very difficult to say where it actually came from. We know that communism destroyed trust, so we know that it's possible to destroy trust in other people. But we don't really know how to build it, although we can see its consequences quite clearly in happiness, in the quality of legal systems, in how much or how little corruption you have. Those are all good consequences, but we don't know how to create them.

WOODS: When you say that this really gets to the core of why Denmark comes out at the top in terms of happiness, is this just an educated guess on your part, or do you feel like you have rigorous social scientific data to back this up, that this really is the explanatory factor?

BJØRNSKOV: My first scientific paper in an international journal was about this issue, and I've been working on that for the last ten years on and off. Several other people including John Helliwell, who co-authored the last World Happiness Report, has been working with that and found the same thing. We also know that that characterizes parts of differences between happiness across U.S. states. So a state like Minnesota is happier than a state like, say, Mississippi, because trust levels are way higher in Minnesota than in Mississippi.

WOODS: You've done, as you say, scholarly work on this question of trust and yet it's still sort of elusive as to how to account for why one area—I mean, there's nothing about cultural homogeneity that might account for the higher levels of trust?

BJØRNSKOV: We usually think that ethnically diverse countries will probably be less trusting. What we now know is that they're not. We also know that ethnically diverse American states are not more or less trusting. What we know is that states with a larger African-American population are less trusting, but that's for obvious reasons—that is literally centuries of oppression that you eventually see in the trust measures. So there's a lot of different historical factors that have shaped trust over the years, but at the end of the day, you pass on your trust level to your children. If nothing dramatic happens with them, they pass the same trust level on to their children. That way it just survives across generations.

WOODS: If you wouldn't mind, though, let's nevertheless revisit this Huffington Post article. Just because I do want to review with listeners the kinds of claims that are made by American left-liberals. And by the way, tomorrow I'm going to be talking to somebody from Australia, because Americans are saying Australia has a high minimum wage. Australia seems to have robust employment figures; therefore we should have a high minimum wage. Americans are so eager to chase after whatever they perceive to be some fad in some other country that they think they can summarize all of Swedish history in two sentences, for example.

So the first item in this Huffington Post article is "Denmark Supports Parents." They say that, "Danish families get a total of 52 weeks of parental leave, and they get free or low-cost childcare. They get health and well-being consideration in terms of early childhood education." Anyone living in a society like this will surely be happy, is the conclusion. How do you respond?

BJØRNSKOV: What we know from the last ten years of research is that people adjust expectations. A lot of material improvements don't give us any happiness in the long run. You might be better off if you buy a larger car, but one year later you've gotten used to that car, because that's just what a car does. What the welfare state does, it gives us some material improvements that we hadn't chosen for ourselves. We know that those kinds of improvements are the improvements that we're getting used to the fastest. So they can't give us any lasting or permanent higher happiness, because we just adjust our expectations. In Denmark, we have high unemployment benefits. We have the 52-week maternity leave, and that's just what we expect to get. It doesn't do anything permanently for happiness level. What it does is, in the 52-week maternity leave, it leaves mothers behind in the employment queue. It's actually damaging to their career in the long term.

WOODS: That's interesting. So mere material improvements don't mean you're going to be happier in the long run. It means your expectation level is now at a higher plateau. Now in

terms of the maternity leave, this is an interesting point. Are there other scholars in Denmark who are pointing this out? Surely Denmark has a very strong feminist movement. Do they not notice that being absent from the workforce for a year has a long-term effect on a professional woman?

BJØRNSKOV: The problem is that the Danish feminist movement has its roots in Marxist movements from the 1960s, 1970s, so there is a divide. There's also a generational gap between the old feminists and some of the new feminists. The new Danish feminists quite clearly realize that the maternity leave and a number of other labor-market regulations are actually damaging the equality between the genders. They're damaging to women's careers. But it's a quite sensitive issue, because once you've given people a 52-week maternity leave they expect that as a right, not as a gift.

WOODS: Let's move on to the next claimed right that makes Danes happy. "Healthcare is a civil right," we read here. It says, "Danish citizens expect and receive health care as a basic right, and what's more, they know how to effectively use their health systems. They're in touch with their primary care physician an average of nearly seven times per year." I understand why this too, for the same reason, can't be the explanatory factor behind the happiness results. But still, from an American standpoint, the Americans might well say, "All right, well forget about happiness. What we care about is material well-being, and Denmark shows that you can have a substantial welfare state and still have a fairly robust and competitive economy." Now as somebody living in Denmark who is an economist, what would you say to an American audience that's convinced of this?

BJØRNSKOV: I would go with the Heritage Foundation that last year characterized Denmark as a schizophrenic nation. In the economic freedom index that we publish every year, Denmark has almost exactly the same score as the U.S. but with a much, much larger public sector. The public sector is financed, because if you look at other parts of Danish society they are way more capitalist than the U.S. Property rights protection is among the finest in the world. The monetary approach is very, very stable. Labor markets are more or less deregulated, so closed-shop regulation that we know from a number of American states is actually illegal in Denmark. What is obvious to people is a large welfare state. What are not obvious are the institutions protecting the welfare state.

WOODS: I had a scholar on a few weeks ago talking about Sweden, and one of the points he made is that in the decades before the Swedish welfare state really took off, Sweden benefited from the fact that it had a largely free market. It stayed out of war, and so it had tremendous capital to draw on for the welfare state. Does Denmark have a similar history?

BJØRNSKOV: Yes. Denmark was the fourth-richest country in the world in the mid-1930s. We're now about number 15, so we're dropping slowly in the rankings. But until around 1960, Denmark was a very, very liberal country in the European sense of the word. Taxes were lower than in the U.S. Regulations were easy, and the legal system was still protecting property rights very well. That gave us the wealth upon which we could build a welfare state, and we've been able to finance that through a couple of crises by reforming parts of it and maintaining what actually works.

WOODS: Is your impression that the Danish welfare state is more or less remaining stable, or is it in mild decline, or is it expanding? Where exactly is it in the dynamics?

BJØRNSKOV: It's in the mild decline I would say. We recently reduced the benefit duration period, so you can now get unemployment benefits for two years instead of four. After two years, you go on the dole, which is much less money. We do know that we have a massive problem with an entire generation that's about to retire. That's going to be extremely important to figure out ways to finance that generation in terms of health benefits, in terms of pensions, and in terms of the very substantial claims they make on the welfare state. So there is a push in Danish politics towards trying to reform parts of the welfare state, and we are looking at Sweden where, for example, they have institutional vouchers in their schooling system. That seems to work really well.

WOODS: Let me read you a passage that really surprised me, and then I'll tell you why I find it surprising. And maybe you should tell me why it shouldn't be surprising. "Denmark is a society where citizens participate and contribute to making society work. More than 40 percent of all Danes do voluntary work in cultural and sports associations, NGO's, social organizations, political organizations, etc. There is a wealth of associations. In 2006, there were 101,000 Danish organizations worth noting in a population of just 5.5 million."

The reason that surprises me is that I would have thought that a large welfare state or a large public sector in general would tend to encourage among the population the idea that anything that's charitable or anything that's outside the market nexus is being taken care of by the public sector. So you don't need to worry about it. Yet here we have big public sector, big welfare-state Denmark, and yet a lot of volunteering going on. How do we make sense of that?

BJØRNSKOV: It depends on what kind of volunteering we're talking about. The joke is that if two Danes meet they'll have a cup of coffee. If three Danes meet, they're going to form an association. We have this amazing history of having a really, really strong civil society that dates back to the nineteenth century. If you look at contributions to charity, the average American contributes 11 times more than the average Dane. What we do is we form tennis clubs, football

clubs, choirs, and so on, but actual charitable work is mostly done either by the state or financed by the state. About half of all Danish development aid, official Danish state development aid, is funneled through the NGOs. So they're not really nongovernment. They're semi-government organizations. That unfortunately also goes for a lot of charitable work, except for what certain organizations do with homeless people. Because they don't fit into the boxes of the welfare state.

WOODS: In other words, the passage I just read is extremely misleading.

BJØRNSKOV: It's misleading in the sense that we have an incredibly strong civil society, but it's not doing charity. It's doing all sorts of other things that people value.

WOODS: All right, so in our closing moments, suppose you are speaking to the United States. Most Americans know pretty much nothing about Denmark. That's just a fact. They know nothing whatsoever about Denmark. So if they read one article about how awesome Denmark is, because of their 52-week maternity leave program and this, that, and the other thing, they're liable to think, wow, I know all there is to know about Denmark. How would you in just a couple of minutes try to explain? Just give people an overview of what the real pluses and minuses are of the Danish system?

BJØRNSKOV: The pluses are that it is like a small rich country populated by people from Minnesota. They might not be the most exciting people in the world, but you can trust them. The positives are the high levels of trust and an incredibly strong sense that if something's wrong in your life, you can always do something yourself. Ninety-four percent of all Danes say, "Sure, I can change things in my life." That's about ten percentage points higher than the U.S. It's also about having a very fair, effective, and completely politically independent legal system, which I think some U.S. states could benefit from having.

The downside is that they have built an incredibly large welfare state that now takes up about half of the economy. So the average, not rich but middle-class person pays a marginal tax of 56 percent. That's not important to happiness, it's not important to becoming a wealthier or healthier society, it doesn't do anything. It doesn't give you what it promises. But we can do that. Because all institutions are there to finance it if we want. The trick is that is all the things that you don't see in Denmark that create happiness that creates the most satisfied country in the world. The great legal system, the incredibly good competitive political systems. We have eight parties in parliament, and that level of trust means that you can play golf with your garbage collector. It doesn't matter, because you still think he's a decent bloke. So if you see Denmark as the happiest country in the world, it's true, but it's not for the reason you think.

WOODS: Suppose you had a crystal ball, and I wanted you to look in it and tell me if I were revisit this and look at Denmark 20 years from now do you expect Denmark to be much different, mildly different, or the same?

BJØRNSKOV: I would expect that you would find a country with a slightly smaller welfare state but more or less the same, but you would probably think that the citizens of Denmark were awfully spoiled.