



HAPPINESS AND THE ELECTION

Economists use a myriad of economic indicators or aggregates to measure all kinds of aspects of an economy. Well-known indicators are Gross Domestic Product (GDP), Consumer Price Index (CPI), exchange rates and interest rates.

Some of these indicators are “hard”, in the sense that they are actual figures and not estimates. However, many important indicators are at best estimates. An example of an important aggregate that is estimated is, “how big is the economy?” (or GDP). The answer is that we don’t really know. In fact, economists disagree amongst one another on what should be included in “economic activity”.

For that reason, measures like GDP are at best a rough guide of an idea, expressed as a number. These estimates are certainly valuable because they are usually consistently “calculated” which provides for comparisons over time and against other similar data from, say, other countries.

From this point of view, economics is a bit of an art. On the one hand we have “hard” actual numbers and on the other, we have a bunch of “soft” data. The arty bit comes in when a good economist can combine all this information with experience and insights, to eventually be able to gauge what is really going on in an economy. Also, always remember that, although economists often use graphs, formulas and many numbers, in the end economics is simply about people!

Given the above, economists are always on the lookout for more information. And perhaps we have been looking at the wrong things when we analysed economies. Perhaps that elusive solution has been closer than what we thought. Since economics is simply about people, how people feel could be all that matters.

It is not such a novel idea. Several “confidence” indexes actually exist but on closer inspection, these indexes mostly measure the consequence of how people feel and not the “feeling” itself. Perhaps a happiness index can fill this void!

In fact, since 2008 (after the financial crisis), economists came to realise that more is needed to measure the wellbeing of people and gauge the economy than “hard” measures. Since 2012, the United Nations has been publishing the World Happiness Report, and many leading countries measure happiness and publish wellbeing data in conjunction with economic data.

The question is, how do we measure happiness? One obvious answer is to ask everyone in a country, every day, whether they are happy. As this is an impossible task, two wellbeing economists, Prof Talita Greyling (South–Africa) and Dr Stephanie Rossouw (New-Zealand)¹, came up with an alternative solution. They developed a happiness index based on what people say about life. They do this by monitoring the Tweets in a country and analysing the sentiment of these Tweets.

The index was developed by two wellbeing economists, Prof Talita Greyling (University of Johannesburg) and Dr Stephanie Rossouw (Auckland University of Technology). Both are members of the Board of Directors of the International Society for Quality-of-Life Studies (ISQOLS) (Gilbert, Arizona, USA) and editors of the Journal of Happiness Studies, the leading international academic journal on happiness and wellbeing. (IT support was provided by Afstereo and Adriaan de Clercq).

In South Africa there are 8.3 million active Twitter users, which is almost 15% of the population, and on average there are 100 000 Tweets per day. The sentiment of each Tweet can be analysed by using very sophisticated sentiment-analysis software. In doing so, the happiness level of a country can effectively be gauged.



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The happiness level is measured on a scale between 1 to 10, with 1 being very unhappy and 10 being very happy. The advantage of this index is that it records happiness, close to real time, using a vast number of observations. In contrast to other measures which are based on survey data, which has a limited sample size and report on historic data.

This is an excellent time to launch such an index, with the interpretation of the index provided by Prof Talita Greyling and Dawie Roodt. We hope this index can make a valuable contribution in explaining economic, political and social events.

We are in the final days before the national elections. It is a time of excitement and plenty of emotions. We plan to follow the “happiness” of the country these few days, before and after the election. It would be interesting so see how our happiness changes as the political temperature rises. Would we be able to see a change in happiness which correlates with political events? Would the financial markets also change in tandem with our happiness index?

The plan is to send out this note today and from Thursday we will start reporting on the actual index. Thereafter we plan to update everybody on the index as frequently as possible. On election day itself, several feedback reports are planned.

We also plan to issue written and voice/video reports.

Let's have fun with economics and please give us your feedback!

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